A dhi Company

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BHUTAN TELECOM LTD

Always there for you

Annual Report | 2022

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The year in review

Telecommunications service providers continued to provide a lifeline for people from different walks of life by helping individuals, communities, and economies pursue social and economic activities amid trying times. As the world recovers from the brunt of the pandemic, telecommunications service providers will have to shoulder greater responsibilities to help economies recover and build resiliency to face similar threats in the future. As per GSMA, the pandemic has not impacted the 5G rollout momentum, and now 5G is available in every region of the world. As per the trend, 5G will constitute over a fifth of total mobile connections by 2025, but 4G will continue to grow and serve the growing demand for data in developing economies as opportunities are still there to optimize the 4G infrastructures. Further, as part of 5G implementation and to sunset the 2G/3G voice services, the voice-over LTE (VoLTE) was launched in November 2022.

In keeping with the core values and social mandates, the company continued to enhance its mobile connectivity to far-flung villages and along the national highways with no dark spots of more than one kilometer. Likewise, the company continued to scale up its network infrastructure in core towns, and deployed 332 new additional 4G (LTE) nodes and 51 5G sites throughout the country. Echoing the challenges faced by the customers and as part of the company's initiatives to drive digitalization, ISP service, especially the internet leased line was made affordable with the reduction of tariff by 57.2% i.e. from Nu. 1286 per Mbps to Nu. 550 per Mbps. The company also contributed Nu. 26.59 Million to National Resilience Fund and Nu. 0.225 Million to Zhung Dratshang for Kuenkhyen Kabum Jaklung at Kuenselphodrang.

Despite the challenges faced in 2022, the company performed well and achieved all the financial targets fixed by the shareholder and the Board. The company recorded a revenue of Nu 5,886.19 Million and a profit after tax of Nu 2,312.25 Million, marking a revenue growth of 9.35% and a growth in profit after tax of 15.71%, as compared to 2021. In keeping with the positive financial returns, the company contributed Nu 1,011.05 Million as the Corporate Income Tax, marking an increase of 7.04% compared to 2021. Likewise, the company paid a dividend of Nu 2,560.00 Million to DHI, marking an increase of 21.02% compared to 2021, thus recording a total contribution of Nu 3,571.05 Million to the government as tax and dividends. The good financial returns are because of the company's prudent investments guided by the Board and DHI and the constant improvements made in the daily operations leading to cost efficiency.

As part of digital initiatives and the digital roadmap, the company successfully implemented an application on blockchain technology to digitalize academic certificates for Royal University of Bhutan (RUB) and enhanced My BT App to cater to better complaint handling, reserve SIM and restriction of rate plan change of postpaid mobile services to avoid bill shocks. In fulfilling the social and economic goals of the country and as envisioned in the DHI's "A roadmap for DHI and Group 2.0", the company implemented its corporate strategic plan 2022 – 2024 with an outlook to generate revenue of more than ngultrum seven billion. To promote and practice the best work ethics by inculcating positive attitudes in all employees to deliver higher value to the customers, the company would continue to develop human capacities and capabilities through continuous learning programs and training.

BT continued to face challenges in its operation in terms of losing qualified and experienced staff leaving the company and having to adopt the rapidly advancing technology with different standards. The company invested over Nu 775.65 Million in 2022 with significant investments in enhancing mobile network services comprising existing 4G infrastructure and 5G technology. As per GSMA, the company will have to continue investing in 4G technology, and investments in new technologies such as 5G would be more than 80% of the total investment. Another recurrent challenge for the company is improving the customer satisfaction score. The company recorded a score of 3.83 against the target of 4.50 in 2022. Therefore, the company would continue to focus on improving customer satisfaction across all the areas of operations and categorically focus on the weak areas concerning service quality attributes and value for money.

Despite all the challenges, the country didn't face difficulties and challenges like other countries, all because of His Majesty the Druk Gyalpo's leadership. Therefore, I would like to submit our heartfelt gratitude to His Majesty the Druk Gyalpo for his selfless leadership and for guiding the nation through such a difficult time. I thank all the valued customers for being with us and providing us with the platform to grow and improve in this rapidly advancing industry amid trying times. I take this opportunity to thank the DHI and the BT Board for all the guidance and support received in 2022. I am also thankful to all the employees for their unwavering support, rising to the occasion, and ensuring uninterrupted services. Finally, I on behalf of the employees of the company and my own behalf would like to rededicate our services to the Tsa-Wa-Sum.

Yours Sincerely,

Karma Jurme
Chief Executive Officer

1. Company Profile

Mission — *Providing innovative and reliable ICT services*

Vision — *To be the Company of choice*

Destination Theme — *In 2024, Bhutan Telecom's revenue is more than Nu 7 Billion*

1.1 Values

Team Work: We believe and commit to have a platform for employees to work together in the best interest of the company. We help each other succeed.

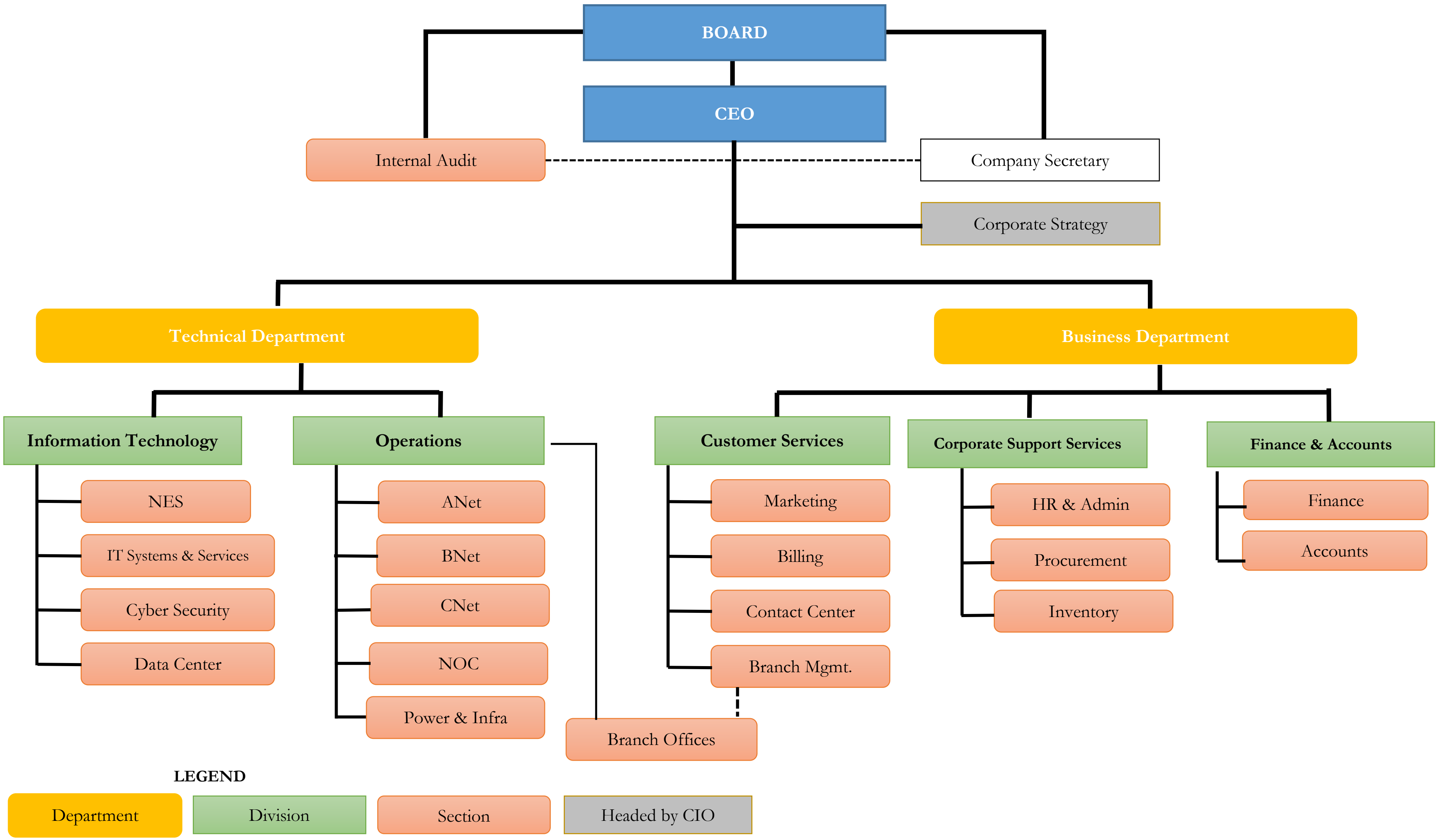
Integrity: We believe and commit to practice high ethical business standard in all business transactions including handling customers, suppliers and company information. We value in conducting our business with honesty, transparency and highest level of corporate ethics.

Growth: We believe and commit to create an enabling environment for employees to come up with new innovative ideas, which will contribute to the employees and the company's growth. To continuously develop human capacities and capabilities through education and training of employees.

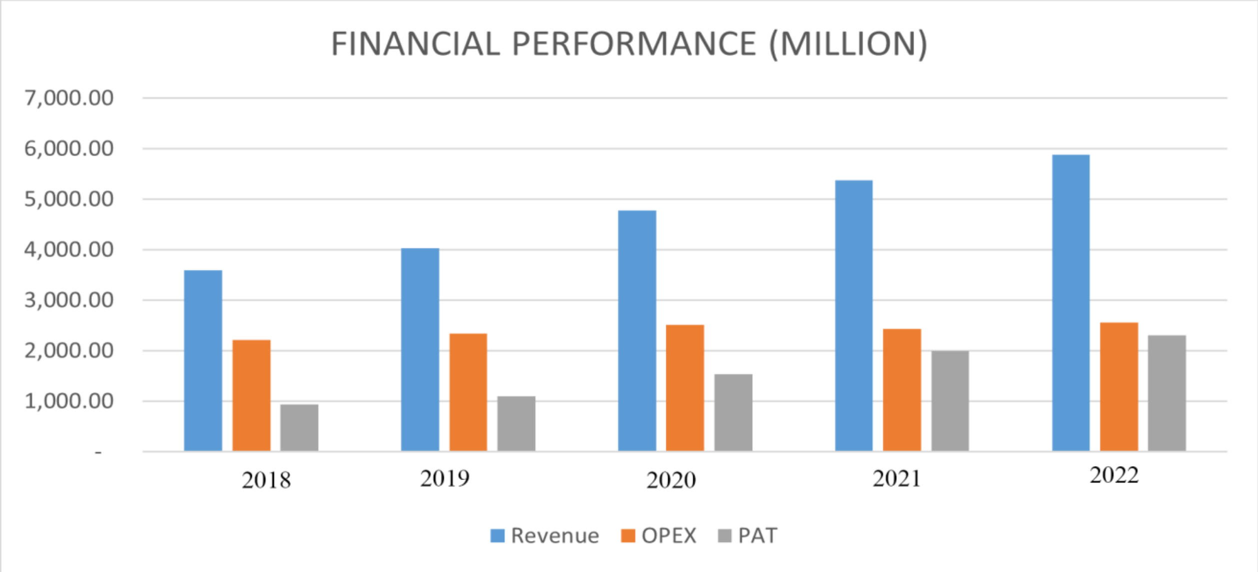
Excellence: We believe and commit to strive for the highest possible standards while conducting business with continuous improvement, constantly seeking solutions to problems. To deliver quality services to meet customer expectations (external) and exerting efforts to obtain feedback from customers to understand their needs and wants.

Responsiveness: We believe and commit to respond swiftly to the fast-changing market environment and requirements/feedbacks of customers. We should be able to anticipate emerging needs of the customers and market dynamics.

1.2 Organization Chart

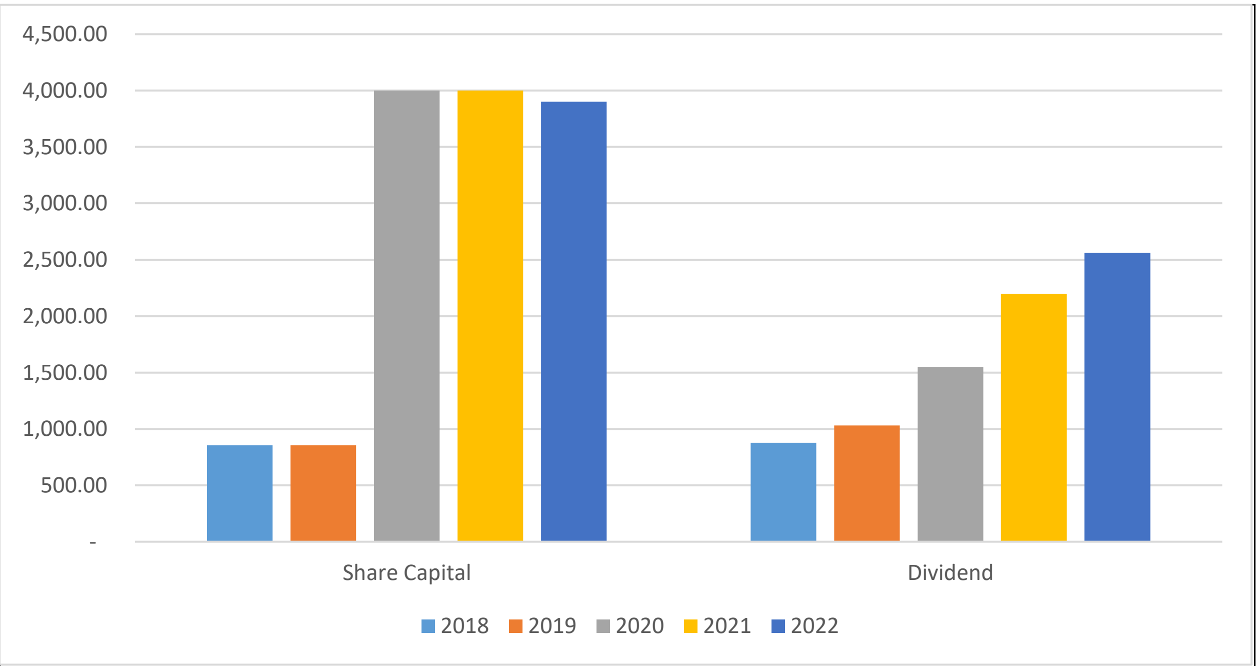


Revenue, Expenditure, and Profit after Tax in Million Nu

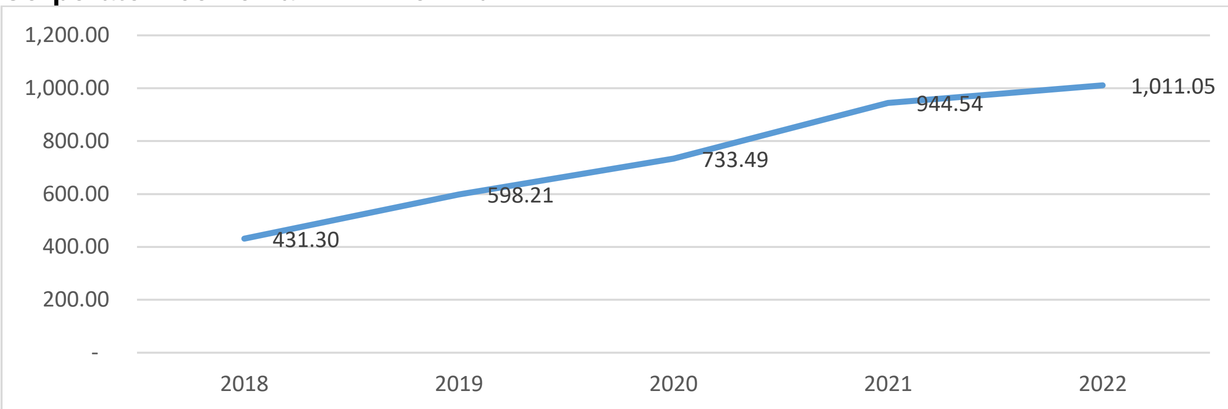


Year	2018	2019	2020	2021	2022
Revenue	3,593.28	4,039.01	4,785.75	5,382.81	5,886.19
OPEX	2,220.20	2,338.28	2,514.01	2,439.99	2,562.88
PAT	941.79	1,102.51	1,538.25	1,998.28	2,312.25

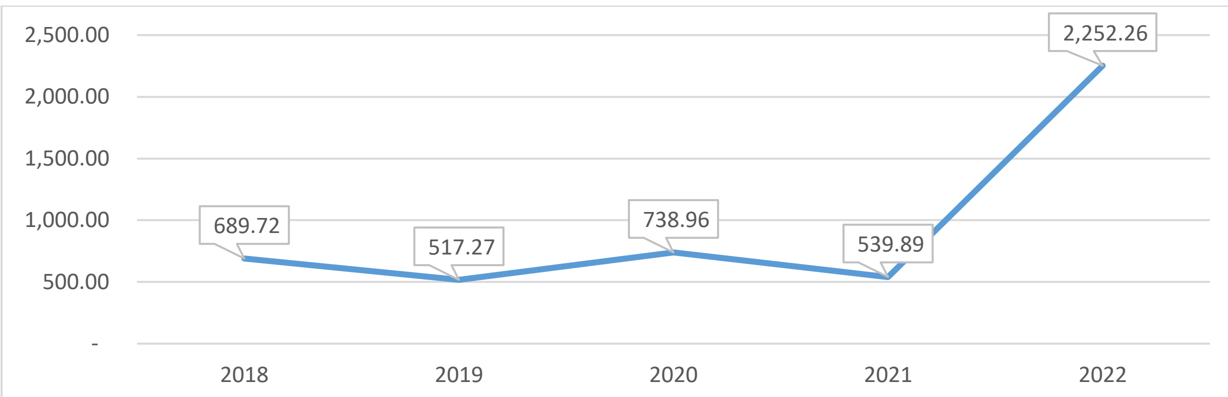
Dividend in Million Nu



Corporate Income Tax in Million Nu



Capital Expenditure in Million Nu

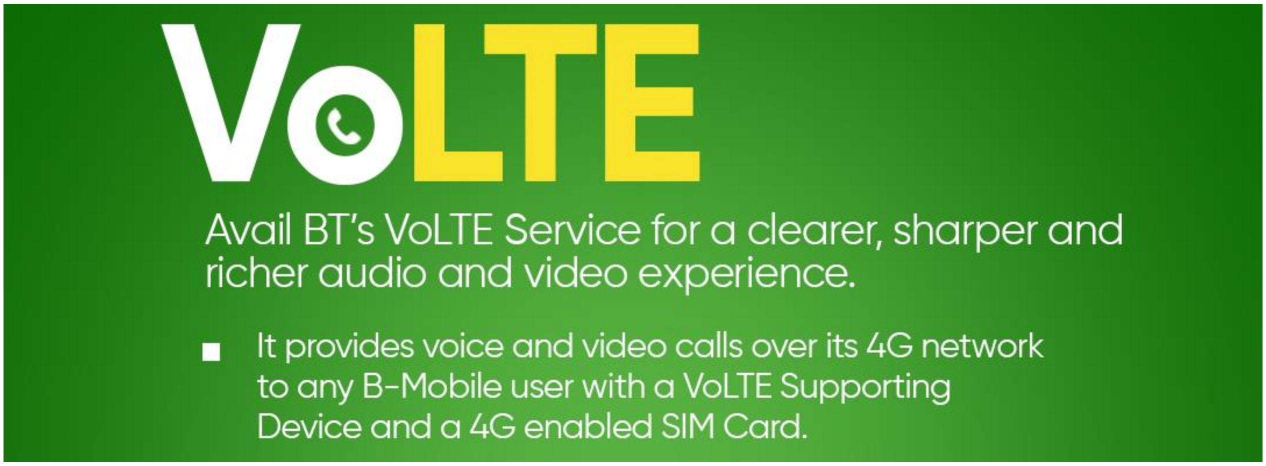


1.3 BT Day Celebration:

Coinciding with the World Telecommunication and Information Society Day, Bhutan Telecom celebrated the seventh BT Day in Thimphu, Headquarter office on May 17, 2022. BT Day is observed every year to celebrate the successes and achievements of the company by bringing together all employees of the company, and also to reward high-performing employees to boost the level of employee motivation, commitment, and morale.

1.4 Service launch:

I. IMS-VoLTE



On 28 November 2022, Bhutan Telecom Limited (BTL) launched Voice over LTE (VoLTE) and Video over LTE (ViLTE) Services for its 4G networks. These services are available to B-Mobile customers with a VOLTE-supporting device and a 4G-enabled SIM card at no additional cost other than the standard call tariff. VoLTE provides customers with HD voice quality and 2 to 3 times faster call setup time. With VoLTE calls, older voice technology issues such as background noise, jitter, and other distortions are eliminated, providing crystal-clear voice and video call experiences. VoLTE customers can simultaneously make HD calls and browse various applications at 4G speeds, unlike previous technologies that required voice call to fall back to 3G/2G network and subsequent slower speed and quality. BTL aims to enhance customer experiences through cutting-edge communication technologies and will continue to expand VoLTE service in terms of coverage, including both network coverage and a variety of handsets supported.

II. e-SIM

Coinciding with National Day on December 17, 2022, Bhutan Telecom introduced e-SIM (embedded SIM) services. e-SIM is a technology that permits users to activate a cellular plan without requiring a physical SIM card. By utilizing e-SIM, individuals can switch between various mobile operators or plans without the need for physical SIM card replacements. This advancement offers users increased flexibility and convenience while simplifying device activation and connectivity. Bhutan Telecom's implementation of e-SIM exemplifies its dedication to adopting innovative solutions and improving the telecommunications industry's customer experience.

2 Board Directors

Dasho Nim Dorji is the Former Secretary of Ministry of Finance. He received his Master's in Business Administration from the University of Canberra, Australia. He joined DHI Board from 21st July 2016 and serves as Non-Independent Non-Executive Director on DHI Board till 13th April 2022. He serves as an independent, non-executive director and Chairman on BT Board from 13th April 2022.

Dasho Tashi Wangmo is the Secretary of Ministry of Labour & Human Resources. She received Master's in Public Policy from the National Graduate Institute for Policy Studies, Tokyo, Japan. She was the Eminent Member of National Council from 27th March, 2008 - 13th August, 2021. She serves as an non independent, non-executive director on BT Board from 13th April 2022.

Mr. Tshewang C. Dorji is a Career Diplomat with more than 31 years of government service. He has served as Ambassador to Thailand, Singapore, Myanmer and Australia. He is currently serving as the Acting Secretary, Ministry of Education and as a non independent, non-executive director on BT Board from 13th April 2022.

Mr. Kado Zangpo is the Director, Department of Local Governance, Ministry of Home & Cultural Affairs responsible for developing Local Government systems and coordinating 205 Gewogs and 20 Dzongkhags. He started his career in the field of data mining and analysis. He comes with vast experiences in plan and policy formulation, monitoring and evaluation of programs. He has a Master's in Information Technology from RMIT University, Melbourne, Australia. He is currently serving as a non-independent, non-executive director on BT Board from 13th April 2022

Dr. Lam Dorji has a Ph.D in Natural Resources Management from Asian Institute of Technology, Thailand. He has more than 30 years of experience in the field of environment management, innovative financing and sustainable development, governance and organizational management. He served as the Executive Director for the Royal Society for Protection of Nature and currently serving as an Independent Environmental Monitoring Expert at Construction Development Corporation Limited (CDCL)/ADB. He serves as an independent, non-executive director on BT Board.

Mr. Chencho Tshering Namgay has a Masters in Business Administration from Asian Institute of Management, Phillipines. He has more than 19 Years of work experience in the field of corporate finance, financial securities, investment, risk management, project management, telecom infrastructure and power system automation. He is currently serving as the Director, Department of Investments for Druk Holding and Investments Ltd. He serves as a non-independent, non-executive director on BT Board.

Mr Karma Jurme has a Masters in Human Resources Management from Curtin University, Australia. He has more than 32 years of work experience in the field of administration and human resource management. He is the Chief Executive Officer for Bhutan Telecom Ltd. He serves as a non-independent, executive director on BT Board.

3 Management Team:

Mr. Karma Jurme is the Chief Executive Officer and he has more than 32 years of work experience in the field of Administration and Human Resource Management. He holds a Masters in Human Resources Management from Curtin University in Australia.

Mr. Karma Tshewang is the Director, Technical Department. He has more than 26 years of work experience in the field of Management and Telecommunications and holds a bachelor's degree in Electrical Engineering from Penn State University in USA.

Mr. Sangay Wangdi is the Director, Business Department. He has more than 20 years of work experience in the field of Marketing and Finance and holds a Master of Business Administration from Southern Cross University in Australia.

Mr. Chendra Dorji is the General Manager, Finance & Accounts Division. He has 14 years of work experience in the field of Finance and Accounts and holds a master's degree in MBA with a specialization in Finance and Accounting from the Maastricht School of Management in the Netherlands.

Ms. Kinga Choden is the General Manager, Customer Services Division. She has more than 16 years of work experience in IT, Marketing, and Telecom Billing and CRM, and has a Master's degree from Murdoch University, Western Australia.

Ms. Kezang Choden has 22 years of work experience in the field of Human Resource Management. She holds a Master of Business in the fields of Marketing and Public Sector Management, from The University of Queensland.

Mr. Budhi Krishna Adhikari is the General Manager of the Information Technology Division. He has more than 12 years of experience in a range of positions in Value-added Services, System Engineering, and Enterprise Networking. He holds a bachelor's degree in Electronics & Communication from Anna University in India and a Master's degree from Murdoch University in Australia.

4 Directors' Report

Introduction

On behalf of the Board of Director of Bhutan Telecom Limited and the Management, I would like to present the Directors' Report for the income year 2022 covering operational performance, audited financial statements, corporate governance, corporate social responsibility, the challenges and way forward for 2023.

Operational Highlights

The company continued to focus on enhancing network reliability and accessibility by undertaking many activities to improve the telecommunication services throughout its network in the country. In addition to the capacity enhancement of the existing 4G/5G Cell sites and IN & VAS services, the company expanded transmission backbone bandwidth to provide capacity and redundancy to ensure high reliability of services. BT also deployed 129 new 4G (LTE) and 51 5G sites to ensure network reliability and to meet the ever-increasing demand for high-speed mobile data. Despite the challenges posed by the pandemic, the company continued to carry out regular network drive tests and antenna alignment activities to ensure service reliability. As part of 5G implementation and to sunset the 2G/3G voices services, the voice-over LTE (VoLTE) was launched in November 2022. As envisioned by DHI and the Board to scale up the digital initiatives, the company successfully implemented an application on blockchain technology to digitalize academic certificates for Royal University of Bhutan (RUB) and enhanced MyBT App to cater to better complaint handling, reserve SIM and restriction of rate plan change of postpaid mobile services to avoid bill shocks.

The company's active mobile subscriber base increased from 429,026 in 2021 to 442,811 at the end of 2022, and leased line internet subscriptions grew from 2,583 in 2021 to 3,763 at the end of 2022. The company had 2,059 fixed active broadband internet subscriptions with an increase of 5% and 19,680 fixed-line customers with a reduction of 44% at the end of 2022.

Owing to the travel restrictions posed by the Covid-19 pandemic,the company couldn't conduct any ex-country human resource development activities in 2022. However, the company pursued its critical function of developing human resources by adopting the online training and certification policy. Accordingly, 3 in-house trainings with 58 employees, 6 in-country trainings with 23 employees, 21 online trainings with 101 employees trained, 1 online event with 11 employees' participation, and 3 certifications were successfully conducted in 2022, covering different technologies and management facets. At the end of 2022, the company had 596 employees, comprising 518 regular employees, 8 contract employees, 61 ESPs, and 9 local caretakers. BT had about 41 of its employees separated from the company on a voluntary resignation.

Financial Position and Key Financial Performance Highlights

The company has financially performed well in the year 2022, BT recorded revenue of Nu 5,886.19 Million for the period ending December 31, 2022, marking a revenue growth of 9.35% from the previous year. BT also recorded a profit after tax of Nu 2,312.25 Million for the period ending December 31, 2022, marking a growth of 15.71% from the previous year.

Financial highlights for 2022:

Revenue in Billion Nu. **Expenditure in Billion Nu.**

Nu 5.886 b **9.35%** ▲	**Nu 2.562 b** **5.04%** ▲

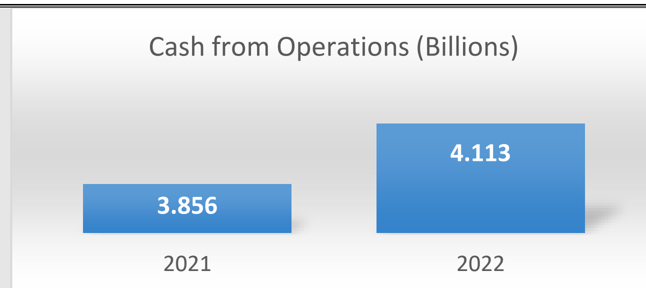
The Revenue of the company marked a growth of 9.35% in 2022. The Operating Expenditure of the company marked a growth of 5.04% in 2022.

Cash from Operations in Billion Nu.

Operations **Nu 4.113 b**

▲ 6.38%

The cash from Operations marked a increase of 6.38.% from 2021



PBT in Million Nu. **PAT in Million Nu.**

Nu 3,323.31 m 13.00% ▲	**Nu 2,312.25 m** 15.71% ▲

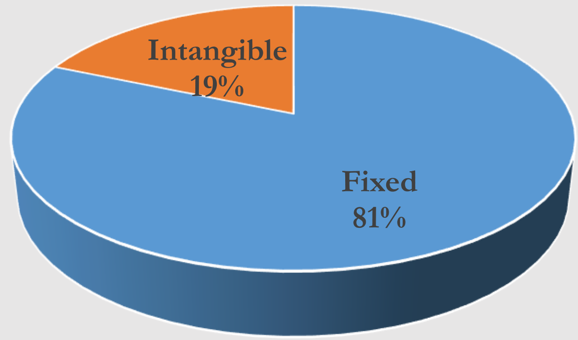
The PBT and PAT marked an increase as compared to 2021, PBT marked an increase of 13.00% and PAT marked an increase of 15.71% in 2022.

Asset (Net Worth)

Tangible Assets **Nu 4.022 b** ▲ 30.46%

Intangible Assets **Nu 0.945 b** ▲ 34.10%

The overall percentage increase in assets was 31.15% as compared to 2021



Liquidity

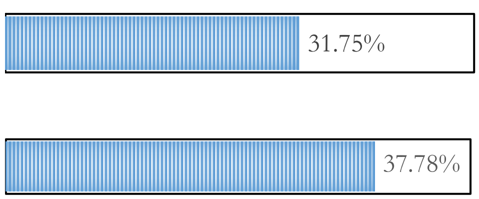
	2021	2022	
Current Ratio	2.19 : 1	2.34 : 1	⬆
Quick Ratio	2.06 : 1	2.18 : 1	⬆

The current ratio increased from 2.19:1 to 2.34:1 in 2022 and the quick ratio increased from 2.06:1 in 2021 to 2.18:1 in 2022.

Profitability.

Return on Capital Employed

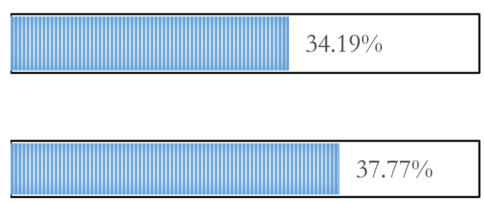
2021
2022



ROCE increased from 31.75% in 2021 to 37.78% in 2022.

Return on Equity.

2021
2022



ROE increased from 34.19% in 2021 to 37.77% in 2022.

Audit Issues:

The Company was audited by statutory auditors, Karma & Associates, Chartered Accountants based in Thimphu, Bhutan. The audit had no observation.

Board's Recommendation of Dividend

The dividend of Nu. 2,496 Million is recommended for 2022 which accounts for 64% of the Total Paid up Share Capital.

Corporate Governance

The company is generally compliant with the provisions of the Corporate Governance Code and Ownership Policy developed and introduced by its owner – the Druk Holding & Investments Limited (DHI), the Companies Act 2016, and other statutory requirements. In line with the signing of the integrity pledge with the Anti-Corruption Commission (ACC) on December 27, 2017, the company has been complying with the business code of conduct and other internal control systems, ensuring complete and accurate procedures to limit potential losses and lapses through fraud.

All members of the Board of Directors are identified and appointed by DHI with subsequent endorsement in the general meetings. The DHI organizes and conducts an orientation program for the new Board members to prepare them for the roles and responsibilities of the Board. At the end of 2022, the Company's Board comprised seven directors, including the Chief Executive Officer, and held twelve Board meetings, a Mid Term Review meeting, and an Annual General meeting. The company had three Board committees in place – The Board Audit Committee, The Board HR Committee, and The Board Tender Committee, and the committees held three, eight, and four meetings respectively in 2022.

Corporate Social Responsibility

In keeping with the corporate belief to act responsibly in upholding the principle of balanced economic development through the extension of telecommunication services to rural and remote areas of the country, the company continued to provide telecommunications services even to non-profitable and challenging places of the country as a social mandate. A prime example is the establishment of mobile station at Teygyethoeb, Naro Gewog which is located at 4,810m above sea level and two days walk from the nearest road point. As guided by DHI and in fulfilling the social responsibility of standing in solidarity with the nation during a difficult time due to the Covid-19 pandemic, the company contributed Nu. 26.59 million to National Resilience Fund, internet leased line tariff was brought down by 57.2% i.e. to Nu. 550 per Mbps from Nu. 1286 per Mbps. Furthermore, the company contributed Nu. 0.225 million to Zhung Dratshang for Kuenkhyen Kabum Jaklung at Kuenselphodrang also donated Nu. 27,035.00 to Desuups during the lockdown as refreshment expenses and free talk time recharges.

Challenges and Way Forward

Retaining skilled employees leaving the organization for better opportunities is a recurrent challenge for the company, like any other organization in the country. However, the Board and management would continue assessing the shortfalls in 2023 and continue reviewing the level of employee engagement to understand and address the areas of improvement for the company. Another recurrent challenge is the threats from rapidly advancing technology with different standards calling for huge investments and meeting the ever-increasing demand for mobile data.

However, the company is hopeful of managing challenges with the Corporate Strategic Plan, Five-Year Investment Plan, and the Risk Management processes instituted in the company, with the guidance of the Board and the DHI. To address the ever-increasing demand for mobile data services, the Board approved a budget of Nu 492.60 million to expand 5G and Nu 961.63 million for 4G LTE expansion in 2023. Likewise, the company will be spending Nu. 48.74 million and Nu. 133.55 million for RAN Switch and Mobile Core expansion to support the 4G LTE and 5G expansions respectively, Nu. 124.57 million for Power System, Nu. 67.03 million for POP expansion and Nu. 191 million for Fixed Access Network to meet the demand for leased line internet connectivity.

In 2022, the CSI for B-Mobile users' experience is 3.83 which is an increase of 2.4% from the previous year, however, it has not met the target of 4.5. As per the survey findings, customers were mostly satisfied with Customer Care and Service Efficiency KRAs, followed by Service Accessibility, however, Value for Money and Service Quality attributes which consist of inconsistent internet connectivity, slow speed, network outages, and call drops were rated comparatively lower indicating their dissatisfaction.

While respecting the ratings provided by the customers, the value for money is being consistently rated lower over the past years despite several tariff reductions, the company would review the tariff again and improve the quality of services provided. To address the issues concerning service quality attributes, the company would continue to prioritize enhancing the availability of high-speed data across the country through the expansion of 5G coverages throughout Bhutan. The company would also continue carrying out tariff revisions and implement loyalty and incentive schemes in its pursuit of making BT services affordable and accessible to everyone.

Acknowledgments

First, we submit our deepest gratitude to His Majesty the Druk Gyalpo for his exemplary and selfless leadership in leading the nation's efforts in containing the spread of Covid-19 in the country, thus ensuring the safety and wellbeing of every Bhutanese. The Board and Management take this opportunity to rededicate our services to the Tsa-Wa-Sum and submit our prayers for the good health and glorious reign of His Majesty the Druk Gyalpo.

As always, we thank the company's valued customers for their continued loyalty and support. Despite some shortcomings, the company has continued to receive cooperation and support from its valued customers. The company made substantial investments to improve the customer experience in 2022 and would continue to invest progressively in 2023 to improve the customer experience. With the progressive improvements made and the support received until now, we believe that our valued customers will continue to support the company.

The company's shareholder, DHI, has guided the company throughout 2022 in overcoming the challenges and helping ensure uninterrupted telecommunications services during such a difficult time in the country and beyond. The company has been able to undertake many major projects only with the unwavering support and guidance from the DHI. The board and management of the

company would like to thank DHI for the same. We would also like to place on record our sincere thanks to all the other stakeholders for whatever support the company received during the year.

Lastly, the Board would like to thank the Management and employees of the company for working hard and achieving a lot of success in 2022. The Board looks forward to similar efforts and success in 2023.

On behalf of the Board of Directors.

(Nim Dorji)
CHAIRMAN

5 Corporate Governance

Bhutan Telecom Limited is mostly compliant with the provisions of the Corporate Governance Code and the Ownership Policy developed and introduced by its owner (Druk Holding and Investments Limited (DHI), the Companies Act of Bhutan, and other statutory requirements.

5.1 Board of Directors

All the members of the Board of BT are identified and appointed by the DHI. All appointments are submitted to BT's General Meetings for endorsement. The BT Board is comprised of Seven Directors, including the Chief Executive Officer. Necessary disclosures about each Board Director are provided below:

Name:	Address	Category	Appointment to present term	Cession	Term
Mr.Pema L Dorji (Chairman)	Director, Department of Immigration, MoHCA.	Independent Non-Executive	March 26, 2021	April 13, 2022	2nd Term
Mr. Jigme Tenzing	Director, Department of Information Technology & Telecom, MoIC.	Non-Independent Non-Executive	March 26, 2021	April 13, 2022	3rd Term
Ms.Jamyang Choeden	Director, Bhutan Council for School Examinations & Assessment, MoE.	Independent Non-Executive	March 26, 2021	April 13, 2022	2nd Term
Mr. Gonpo Tenzin	Chief, PPD, National Land Commission.	Independent Non-Executive	March 26, 2021	April 13, 2022	2nd Term
Dr. Lam Dorji	Independent Environmental Monitoring Expert, CDCL.	Independent Non-Executive	April 13, 2022		2nd Term

Mr. Chencho T. Namgay	Director, Department of Investments, DHI.	Non-Independent Non-Executive	April 13, 2022		2nd Term
Dasho Nim Dorji (Chairman)	NSCWG	Non-Independent Non-Executive	April 13, 2022		1st Term
Dasho Tashi Wangmo	Secretary, MoLHR	Non-Independent Non-Executive	April 13, 2022		1st Term
Mr. Tshewang C. Dorji	Director, MoFA	Non-Independent Non-Executive	April 13, 2022		1st Term
Mr. Kado Zangpo	Director, DLG, MoHCA	Non-Independent Non-Executive	April 13, 2022		1st Term
Mr. Karma Jurme	CEO, Bhutan Telecom	Non-Independent Executive			

5.2 Board Meetings

A total of twelve board meetings were held in 2022 and the meetings were held as frequently as required and the gap between any two meetings never exceeded three months, as required by the Companies Act of Bhutan 2016. Board Meetings in 2022 were held on the following dates:

#	# Meeting Number	Date	Status
1	172nd Board Meeting	February 03, 2022	Held
2	173rd Board Meeting	February 25, 2022	Held
3	174th Board Meeting	April 11, 2022	Held
4	175th Board Meeting	May 05, 2022	Held
5	176th Board Meeting	June17, 2022	Held
6	177th Board Meeting	July 15, 2022	Held
7	178th Board Meeting	September 13, 2022	Held
8	179th Board Meeting	September 20, 2022	Held
9	180th Board Meeting	October 03, 2022	Held
10	181st Board Meeting	October 25, 2022	Held
11	182nd Board Meeting	December 16, 2022	Held
12	183rd Board Meeting	December 27, 2022	Held

5.3 Board Meeting Attendance

Meeting Date:	3rd February	25th February	11th April	5th May	17th June	15th July	13th	20th	3rd October	25th October	16th December	27th December	Total
Meeting Number:	172	173	174	175	176	177	178	179	180	181	182	183	
Name of Directors:													
Mr. Pema L Dorji. (Chair)	⦿	⦿	⦿	Resigned from the Board									3
Mr. Jigme Tenzing		⦿		Resigned from the Board									1
Ms. Jamyang Choeden			⦿	Resigned from the Board									1
Mr. Gonpo Tenzin	⦿	⦿	⦿	Resigned from the Board									3
Dr. Lam Dorji	⦿	⦿	⦿		✓			✓	✓	✓	✓	✓	9
Mr. Chencho T. Namgay	⦿	⦿	⦿	✓		✓	✓	✓	✓	✓	✓	✓	11
Mr. Karma Jurme	⦿	⦿	⦿	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Dasho Nim Dorji (Chair)				✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Dasho Tashi Wangmo				✓	✓	✓	✓	✓		✓	✓	✓	8
Mr. Tshewang C. Dorji				✓	✓	✓		✓	✓	✓	✓	✓	8
Mr. Kado Zangpo				✓	✓		✓	✓	✓				5
Quorum	5/7	6/7	6/7	6/7	6/7	5/7	5/7	Full	6/7	6/7	6/7	6/7	

The calendar for the Board Meetings during the entire year is proposed at the beginning of the year. The calendar is reviewed and the date for the next Board Meeting is confirmed in every Board Meeting. All the Board Meetings in 2022 were held at the Conference Hall of the Company's Headquarters in Chubachu, Thimphu, and also used virtual meeting platforms owing to the Covid-19 pandemic. The agenda and related documents for the Board Meetings are generally circulated to the Board Members at least five working days in advance of the Meetings. However, it is challenging to meet this timeline on rare occasions, when the Board Meeting is called on short notice and/or when papers take time to finalize because of various reasons.

The following Board Committees are in place:

1. Board Audit Committee (BAC)
2. Board Tender Committee (BTC)
3. Board HR Committee (BHRC)

5.4 Board Audit Committee (BAC)

The Board Audit Committee was established to monitor the internal control system and internal audit activities. The Committee held three meetings in 2022 on the following dates:

1. 35th BAC Meeting was held on May 19, 2022
2. 36th BAC meeting was held on July 12, 2022
3. 37th BAC meeting was held on December 26, 2022

Meeting Date:	**19th May**	**12th July**	**26th Dec**	**Total**
Meeting Number:	35th BAC	36th BAC	37th BAC	
Members:				
Dasho Tashi Wangmo (Chair)	✓	✓	✓	3
Dr. Lam Dorji	✓		✓	2
Mr. Chencho T. Namgay	✓	✓		2
Mr. Kelzang Chophel (Secretary)	✓	✓	✓	3

5.5 Board Tender Committee (BTC)

The Board Tender Committee was established to make decisions and approve works/ procurements which are beyond the management's authority. The Committee held four meetings in 2022 on the following dates:

1. 28th BTC Meeting was held on April 04, 2022
2. 29th BTC Meeting was held on June 13, 2022
3. 30th BTC Meeting was held on August 17, 2022
4. 31st BTC Meeting was held on December 14, 2022

Meeting Date:	**4th April**	**13th June**	**17th August**	**14th December**	**Total**
Meeting Number:	28th BTC	29th BTC	30th BTC	31st BTC	
Mr. Tshewang C Dorji (Chair)	⊙	✓	✓	✓	4
Mr. Chencho T. Namgay	⊙	✓	✓	✓	4
Mr. Karma Jurme	⊙	✓	✓	✓	4
Mr. Sangay Wangdi (Secretary)	⊙	✓	✓	✓	4

5.6 Board HR Committee (BHRC)

The Board HR Committee was established to make decisions on HR-related issues which are beyond the authority of the management. The Committee held eight meetings in 2022 on the following dates:

1. 54th BHRC Meeting was held on April 29, 2022
2. 55th BHRC Meeting was held on June 13, 2022
3. 56th BHRC Meeting was held on July 04, 2022
4. 57th BHRC Meeting was held on August 08, 2022
5. 58th BHRC Meeting was held on October 13, 2022
6. 59th BHRC Meeting was held on October 18, 2022
7. 60th BHRC Meeting was held on November 10, 2022
8. 61st BHRC Meeting was held on November 30, 2022

Meeting Date:	**29th April**	**13th June**	**4th July**	**8th August**	**13th October**	**18th October**	**10th November**	**30th November**	**Total**
Meeting Number:	54th BHRC	55th BHRC	56th BHRC	57th BHRC	58th BHRC	59th BHRC	60th BHRC	61st BHRC	
Members:									
Mr. Kado Zangpo (Chair)		✓	✓	✓	✓	✓	✓	✓	7
Mr. Chencho T Namgay (Chair till 54th BHRC)	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Karma Jurme	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Phuntsho (Secretary)	✓	✓	✓	✓					4
Ms. Tashi Lhamo (Interim Secretary)					✓	✓	✓	✓	4

5.7 Board Remuneration

Transactions	Amount in Nu			
	2022		2021	
	DSA	Sitting Fee	DSA	Sitting Fee
Mr. Nim Dorji	-	80,000	-	-
Ms. Tashi Wangmo	-	76,000	-	-
Dr. Lam Dorji	-	84,000	-	80,000
Mr. Tshewang C. Dorji	-	76,000	-	-
Mr. Kado Zangpo	-	68,000	-	-
Mr. Chencho T. Namgay	-	160,000	-	132,000
Mr. Pema L. Dorji**	-	32,000	-	84,000
Mr. Jigme Tenzing**	-	16,000	-	112,000
Ms. Jamyang Choeden**	-	12,000	-	80,000
Mr. Gonpo Tenzin**	-	28,000	-	100,000
Total		**632,000**		**588,000**

** Resigned

5.8 Chief Executive Officer's Remuneration

Name	Particulars	2022	2021
Mr.Karma Jurme (Present)	Salary	2,842,800.00	2,770,800.00
	Leave travel concession	15,000.00	15,000.00
	Leave Encashment	118,450.00	115,450.00
	Salary Arrears	-	-
	Bonus and PBVA	346,350.00	332,450.00
	Contribution to the superannuation fund	213,216.00	207,816.00
	Sitting fee	160,000.00	140,000.00
	Total	**3,695,816.00**	**3,581,516.00**

5.9 Annual General Meeting

The 20th Annual General Meeting was held on March 14, 2022, at DHI Board Room and attended by the shareholders, Board Directors, and key members of the management team. The 20th Annual General Meeting transacted the following business items:

a) Ratification of the Minutes of the 19th Annual General Meeting
b) Consideration of audited accounts for the financial year ending December 31, 2022, Auditor's Report and Directors' Report
c) Declaration of remuneration for CEO and Directors
d) Declaration of dividend

e) Retirement and appointment of Directors
f) Appointment of Auditors
g) Accounting treatment on the transfer of land to DHI
h) Review and assessment of Compact 2022

6 Independence Auditors Report

INDEPENDENT AUDITORS' REPORT

To,
The Members of
Bhutan Telecom Limited (BTL)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Bhutan Telecom Limited** (the company), which comprise the Statement of Financial Position as at **December 31, 2022**, the Statement of Comprehensive Income, the Statement of Cash Flow, and the Statement of Changes in Equity for the year then ended, and Notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at **December 31, 2022,** and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

Information other than financial statement & Auditor's Report thereon

The company's board of directors is responsible for the other information. The other information comprises the information included in Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit report of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and if required issue a revised Audit report on standalone financial statement.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;

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iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threads or safeguards applied. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to the public interest benefits of such communication.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as ***Appendix I*** with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

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a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;

c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

For **Karma & Associate**

Chartered Accountants

Firm Registered No.: **BH-04**

(Chimmi Dorji)

Partner

Place: **Thimphu**

Date: 15/02/2023

Karma & Associate * Chartered Accountants *

7 (Annexure "A" to AUDITOR'S REPORT

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As required by Section 266 of the Companies Act of Bhutan, 2016

As required by section 266 of the Companies Act of Bhutan 2016, and on the basis of such checks as we considered appropriate and according to the information and explanations are given to us, we report as follows:

General:

a) The company has adhered to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The governing board/authority pursues a prudent and sound financial management practice in managing the affairs of the company
c) The financial statements are prepared to apply the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
d) The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
e) The adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
f) Mandatory obligations social or otherwise, if any, entrusted are being fulfilled.
g) The amount of tax is computed correctly and reflected in the financial statements.

Regulatory norms in examining the accounts of the corporations subject to such statutory audit contain the following:

1.a) The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and the situation of PPE.

b) Due to the large size of regional offices and assets located at various locations, BT has decided to conduct physical verification for each region annually by the management, apart from asset custodians appointed at regional levels to conduct physical verification of fixed assets under their respective profit centres, and there were material variances that were identified in between the asset register and the physical assets on the floor, the discrepancies have been properly dealt with in the books of accounts.

c) Bhutanese Accounting Standards (BAS)-16 Property, Plant, and Equipment states that the residual value and the useful life of an asset shall be reviewed at least at each financial year-

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end. The Company has an adequate policy to review residual value and useful life of assets in relation to the size of the Company and the nature of its business.

2. The fixed assets of the Company have not been revalued during the year under audit.

3. As explained to us, physical verification of inventories has been conducted at reasonable intervals by a committee nominated by the management for reconciling Inventories between the System and actual physical inventories.

4. In our opinion, the procedures followed for physical verification of inventories are considered reasonable and adequate in relation to the size of the Company and the nature of its business.

5. According to the information given to us, the Company is conducting physical verification of Inventory on a quarterly basis and no material discrepancies were noticed during the review of quarterly reports. Quantitative reconciliation has been carried out during the year in respect of all major items of inventories at the end of the accounting period.

6. On the basis of our examination and information given to us, the Company has maintained a reasonable system of recording receipts, issues, and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with the size and nature of its business.

7. In our opinion and basis of the information given to us, the quantitative reconciliation is carried out at least at the end of the accounting year in respect of all major items of inventories by the Company.

8. The Company has adequately created provisions for obsolete, damaged, slow-moving, and surplus goods/inventories which is based on the policy of the Company. The company has an unused Provision balance of Nu**. 7.98** million as at December 31, 2022.

9. As explained to us, the unserviceable or damaged inventories were disposed of through open auction at regular intervals as per the inventory management manual 2019.

10. According to the information given to us, the approval of appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including Tele equipment, stores, and spares.

11. On the basis of our examination of stock records, we are satisfied that the valuation is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of the valuation of stock is the

same as that in the previous year. In addition, the Company has adequate provision for impairment in the value of inventory lying for a long time (refer to note 8 of this clause).

12. In our opinion and the information given to us, the Company has refrained from granting loans to other parties which are *ultra-vires* to the Article of Incorporation and other relevant Acts and regulations.

13. The advances granted to officers/staff are in keeping with the provision of service rules. No excessive/frequent advances are granted and the accumulation of large advances against the particular individual is avoided.

14. In our opinion and according to the information and explanations given to us, the Company has established a system of internal control in place to ensure completeness, accuracy, and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules & regulations, systems, and procedures.

15. According to the information and explanation given to us, the Company has a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the Company and the nature of its business, on the issue of stores and allocation of materials and labor to jobs.

16. In our opinion and according to information and explanations given to us, the Company has a reasonable system of obtaining competitive bids/quotations from the vendors in respect of the purchase of stores, plant & machinery, equipment, and other assets commensurate with the size of the Company and nature of its business.

17. **(a)** As informed to us, there is no transaction for the purchase and sale of goods and services made in pursuance of contracts or agreements entered into with the directors or any other parties related to directors or with the Company or firms in which the directors are directly or indirectly interested.

    (b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein the directors are directly or indirectly interested.

18. According to the information and explanations given to us, the expenses charged to the Company accounts represent legitimate business expenses and no personal expenses have been debited to the Statement of Comprehensive Income, except those payable under contractual obligations.

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19. According to the records, no unserviceable or damaged inventories, Tele equipment, or spare parts were determined during the year 2022 if any have been properly dealt in books of account.

20. As explained to us, the Company, in generally, has a reasonable system of ascertaining and identifying the point of occurrence of breakage/damages of stores, spares, and capital goods while in transit, during loading/unloading in storage and during handling, etc. so that responsibility could be fixed and compensation sought from those responsible.

21. Since the Company is majorly in the service sector, it is maintaining records related to service inventory as well as consumable inventory on a proper basis. Proper controls have been put in place to ensure the safety of the inventory of the Company.

22. The Company is maintaining reasonable records for sales and disposal of unusable and scrap items.

23. According to the records, the company is generally regular in depositing rates and taxes, duties, etc., and other statutory dues with the appropriate authorities during the year 2022. Provision for Corporate Income Tax is adequate and necessary adjustments have been made to compute the amount of tax required to be paid under The Rules on the Income Tax Act of Bhutan, 2001, and has been appropriately disclosed in the financial statement.

24. According to the books records and the computation of tax, the Company has payable Corporate Income Tax (CIT) **Nu. 525.78 million** for the year 2022 and no other undisputed amount payable in respect of rates and taxes, royalties, provident funds, and other statutory deductions at the yearend.

25. The company is a service-oriented organization and not a manufacturing concern and there is no system of allocating man-hours utilized to the respective jobs etc.

26. The said clause is not applicable in view of the nature of business.

27. The credit sales policy and credit rating of customers are not applicable to the Company.

28. The Company has engaged some agents in connection with BT products and services through appropriate screening. The agency commission structure is in keeping with the industry norms/market conditions. Generally, the Company has an adequate system of evaluating the performance of each agent on a periodic basis.

29. We are given to understand that, the Company has a reasonable system of follow-up with debtors and other parties for recovery of outstanding amounts. The management has also

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done an age-wise analysis of the outstanding amount to realize the old debts and follow-up action.

30. According to records, the management of liquid resources particularly cash/bank and short-term deposits, etc. are reasonably adequate in respect of the nature and size of the business. During the year, *Company managed to deposit Nu. 300 million with the Bank of Bhutan in interest-bearing deposits for the period of three months only, thereafter, BT could not make investments in interest-bearing deposits due to excess liquidity with banks and their denial to accept any term deposits from corporate entities.*

31. According to the information and explanations given to us and on the basis of examination of books and records on a test check basis, the activities carried out by the Company are in our opinion lawful and intra-vires the Articles of Incorporation of the Company.

32. According to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decisions, and investments in new projects are made only after ascertaining the technical and economic feasibility.

33. The Company has established an adequate and effective budgetary control system.

34. *The Company does not have a costing system to ascertain the cost of its services and the current practice is based on estimation*. The Company is going to upgrade its systems for better revenue allocation and cost management.

35. The details of remuneration to the Board of Directors including the Chief Executive Officer have been indicated in the Notes to the Accounts.

36. In our opinion and on the basis of information and explanations given to us, the directives of the Board issued have been complied with.

37. According to the information and explanations, we are given to understand that the officials of the Company have not transmitted any price-sensitive information, which is not made publicly available, unauthorized to their relatives/friends/associates, or close persons, which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

38. According to our examination of books and records, the Company has maintained proper records for inter-unit transaction/services. The periodic reconciliations are also done between its units.

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39. In our opinion, the Company has maintained reasonable records related to leases and other items. As of date, there is no machinery/equipment's are acquired on lease or leased out to others.

40. To the extent revealed by our examination, the Company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.

Computerized Accounting Environment

1. The company has implemented a smart ERP NEXT system since the beginning of the year 2022. In our opinion, the system development controls and other internal control systems were adequate with respect to the size and nature of computer installations.
2. In our opinion, the Company appears to have taken adequate measures and back up facilities commensurate with its size and nature. As explained, the Company has a main system at Phuntsholing and a standby server installed at Thimphu and backups are taken daily at both locations.
3. The Company has a Disaster Recovery Plan (DRP) in place, the Company keeps backup data for the entire Company in a standby server installed at Phuentsholing and the same is being maintained at Thimphu.
4. The operational controls in the Company are adequate to ensure the correctness and validity of input data and output information.
5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
6. According to the information given to us, all the data has been migrated to a new system in the year 2022 from SAP ERP to ERP Next.

GENERAL

1. **Going Concern Issues**

   On the basis of the attached Financial Statements as at 31st December, 2022 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.'

2. **Ratio Analysis**

   The financial and operational ratio in respect of the Company is given in the statement of Ratio Analysis.

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3. **Compliance of the Companies Act of Bhutan, 2016:**

   The Company has complied with the provisions of The Companies Act of Bhutan 2016 concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans, and all other matters specified in the said Act.

4. **Adherence to Laws, Rules & Regulations:**

   The audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of an audit is limited to examination and review of the financial statements, as produced to us by the management. In the course of the audit, we have reviewed compliance with the Companies Act and its Articles of Incorporation and as explained to us, the Company has been complying with appropriate laws, rules and regulations, systems, procedures, and practices.

For **Karma & Associate**
Chartered Accountants
Firm Registered No.: **BH-04**

(Chimmi Dorji)
Partner

Place: **Thimphu**
Date: 15/02/2023

Karma & Associate
Chartered Accountants

8 Statement of Financial Position as at 31st December, 2022

Particulars	Note no.	As at 31st December, 2022	As at 31st December, 2021
I. ASSETS:			
Non-current assets			
Property, plant and equipment	2(a)	4,022,205,491	3,083,111,657
Intangible assets	2(b)	945,345,973	704,978,376
Capital work-in-progress	2(c)	6,897,449	883,010,095
Investments	3	4,000,000	4,276,493
Deferred tax assets (net)	4	432,571,754	389,762,024
Right of Use Lease	5	16,303,114	-
Other non-current assets	6	-	156,139
Total Non-current Assets		**5,427,323,782**	**5,065,294,784**
Current assets			
Investments	7	1,000,000	16,849,534
Inventories	8	142,762,067	146,617,242
Trade receivables	9	80,449,036	89,774,006
Cash and bank balances	10	1,813,654,319	2,056,469,063
Other receivable	11	44,611,042	717,492
Other current assets	12	63,811,999	68,416,230
		2,146,288,462	**2,378,843,567**
Asset classified as held for distribution to owners	13	5,964,125	5,964,125
Total Current Assets		**2,152,252,587**	**2,384,807,691**
Total Assets		**7,579,576,368**	**7,450,102,475**
II. EQUITY AND LIABILITIES:			
EQUITY			

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Equity share capital	14	3,900,574,000	4,000,000,000
Retained Earnings	15	2,220,093,125	1,843,640,665
Total equity		**6,120,667,125**	**5,843,640,665**
Non-current Liabilities			
Other payables	16	-	31,439,832
Deferred government grants	17	485,864,143	450,417,819
Employee benefit obligation	18	36,052,181	38,670,675
Lease Liability Non-Current	19	18,779,711	-
Total non-current liabilities		**540,696,035**	**520,528,326**
Current Liabilities			
Trade and other payables	20	99,148,982	260,964,372
Other payables	21	58,648,600	64,528,669
Short term provision	22	593,836,707	486,043,890
Other current liabilities	23	137,118,107	259,556,309
Employee benefit obligation	24	28,298,949	14,840,243
Lease Liability Current	25	1,161,863	-
Total Current Liabilities		**918,213,208**	**1,085,933,484**
Total Liabilities		**1,458,909,243**	**1,606,461,810**
Total Equity and Liabilities		**7,579,576,368**	**7,450,102,475**

For Karma & Associate **For and on behalf of board of directors**

(Chimmi Dorji)

Partner

Chairman

Karma & Associate
Chartered Accountants

Place: Thimphu

Date: 15/02/2023

Chief Executive Officer

9 Statement of Comprehensive Income for the year ended 31st December 2022

Particulars	Note No.	31st December 2022	31st December 2021
Income:			
Income from operations	26	5,789,109,478	5,336,295,311
Other income	27	97,087,499	46,521,275
		5,886,196,977	**5,382,816,586**
Expenses:			
Network operating expenses	28	631,817,296	620,186,544
Cost of trading goods	29	198,182,711	247,891,946
Employee benefit expenses	30	399,109,097	380,963,310
Depreciation and amortization	31	955,376,166	887,994,358
Finance cost	32	12,632,273	13,996,848
Other expenses	33	365,769,179	288,963,575
		2,562,886,723	**2,439,996,582**
Profit Before Tax		**3,323,310,254**	**2,942,820,004**
Tax expenses:			
Prior Period Tax	34	-	18,205,314
Current tax		1,053,864,887	886,927,210
Deferred income tax		(42,809,730)	39,403,672
Total tax expense		**1,011,055,157**	**944,536,196**
Profit after tax for the year		**2,312,255,097**	**1,998,283,809**
Other comprehensive income			
Re-measurement (gains)/losses on defined benefit plans		10,006,619	(5,423,505)
Income tax relating to component for other comprehensive income		(3,001,986)	1,627,052
Other comprehensive income, net of tax		7,004,633	(3,796,454)
Total comprehensive income for the year		**2,305,250,463**	**2,002,080,262**
Earnings Per Share	35	593	500

Karma & Associate * Chartered Accountants *

For Karma & Associate

(Chimmi Dorji)

Partner

Place: Thimphu

Date: 15/02/2023

Karma & Associate * Chartered Accountants *

For and on behalf of board of directors

Chairman

Chief Executive Officer

10 Statement of Changes in Equity for the year ended 31st December, 2022

Particulars	Share capital	Retained earnings	Total Equity
Balance as at 31st December,2020	**4,000,000,000**	**1,483,260,741**	**5,483,260,741**
Profit for the year 2021	**-**	**1,998,283,809**	**1,998,283,809**
Other Comprehensive Income	-	5,423,505	5,423,505
Dividend for the year	-	(1,550,000,000)	(1,550,000,000)
Land transferred to DHI	-	(93,321,053)	(93,321,053)
Balance at 31st December,2021	**4,000,000,000**	**1,843,640,665**	**5,843,640,665**
Dividend for the year	-	(2,022,000,000)	(2,022,000,000)
Finance Lease opening adjustment to RE	-	(3,222,017)	(3,222,017)
Land transferred adj. with share capital	(99,426,000)	99,426,000	-
Profit for the year 2022	-	2,312,159,419	2,312,159,419
Other comprehensive income	-	(10,006,619)	(10,006,619)
Total comprehensive income for the year	-	**376,452,460**	**277,026,460**
Balance at 31st December,2022	**3,900,574,000**	**2,220,093,125**	**6,120,667,125**

For Karma & Associate

Chartered Accountants

(Firm Reg. No. BH-04)

(Chimmi Dorji)

Partner

Place: Thimphu

Date: 15/02/2023

For and on behalf of the board of directors

Chairman

Chief Executive Officer

11. Cash Flow Statement for the year ended 31st December 2022

Particulars	31st December 2022	31st December 2021
Cash flow from operating activities		
Net profit before tax	3,323,310,254	2,962,652,370
Add/Less: Gain on sale of property plant and equipment	(6,609,585)	(4,054,266)
Add/Less: Gain or loss on scrapping/retirement of assets	11,445,816	3,070,595
Add/Less: Inventory loss (gain) on physical verification	-	-
Add/Less: Provision for loss allowance	11,044,596	9,180,518
Add/Less: BAS adj on interest expense on License fee	8,150,967	7,766,404
Add/Less: Re-measurement gain/loss	10,006,619	5,423,505
Add/Less: Liabilities no longer required written back	(15,664,824)	-
Net profit before tax and after adjustment of provisions	**3,341,683,844**	**2,984,039,126**
Adjustment for:		
Depreciation during the year	955,376,166	887,994,358
Interest paid	-	11,918,855
Interest received	(9,796,507)	(17,435,796)
Net profit from operating activities before working capital changes	**4,287,263,504**	**3,866,516,543**
Adjustment for:		
Inventories	3,855,175	(112,545,372)
Non-current/current financial and other assets	(29,985,297)	993,860,278
Non-current/current financial and other liabilities/provisions	(147,552,567)	59,298,499
Cash generated from operating activities	**4,113,580,816**	**4,807,129,948**
Income tax paid	(971,161,610)	(950,975,972)
Net cash flow from operating activities	**3,142,419,206**	**3,856,153,972**
Cash flow from investing activities		
Payment for property plant and equipment	(1,690,541,997)	(360,319,580)

Karma & Associate
Chartered Accountants

Payment for intangible assets	(561,717,286)	(179,565,754)
Payment for capital work in progress	876,112,644	(804,384,919)
Sale of property plant and equipment (actual cash received)	6,414,701	10,150,912
Interest earned on fixed deposits	9,796,507	17,435,796
Net cash used in investing activities	**(1,359,835,429)**	**(1,316,683,544)**
Cash flow from financing activities		
Lease payment related to finance lease	(3,298,519)	-
Term loan (long term borrowings)	-	(84,279,486)
Payment of dividend	(2,022,000,000)	(1,550,000,000)
Interest paid on Loans	-	(11,918,855)
Net cash used in financing activities	**(2,025,298,519)**	**(1,646,198,340)**
Net Increase/(decrease) in cash and cash equivalents	**(242,814,744)**	**893,272,087**
Cash and cash equivalents at the beginning of the financial year	2,056,469,063	1,163,196,976
Effect of exchange rate changes on cash and cash equivalents		
Closing cash and cash equivalents	1,813,654,319	2,056,469,063
Increase/(decrease) in cash and cash equivalents	**(242,814,744)**	**893,272,087**

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

Karma & Associate * Chartered Accountants *

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 15/02/2023

For and on behalf of the board of directors

Chairman

Chief Executive Officer

Notes to the standalone financial statements as at 31st December, 2022

Note: 2(a)(b)(c) Property, Plant and Equipment

Particulars	Gross Block				Accumulated Depreciation				Net Block	
	01.01.2022	Addition	Adjustment	31.12.2022	01.01.2022	Addition	Adjustment	31.12.2022	31.12.2022	31.12.2021
Note A: Tangible Assets:										
Buildings#	816,565,424	253,023,717	2,941,478	1,066,647,663	298,721,517	36,084,926	2,469,024	332,337,419	734,310,245	517,843,907
Telephone equipments#	7,559,803,541	983,289,569	133,001,773	8,410,091,337	5,942,756,681	471,111,285	128,581,396	6,285,286,570	2,124,804,765	1,617,046,860
Office equipments#	117,151,011	15,004,001	6,617,527	125,537,485	88,951,675	10,001,508	6,582,485	92,370,698	33,166,787	28,199,336
Power system and cables#	2,479,935,978	434,552,647	64,250,595	2,850,238,030	1,609,799,860	209,021,394	59,222,804	1,759,598,450	1,090,639,580	870,136,118
Furniture and fixtures#	25,198,002	495,054	244,461	25,448,596	16,819,865	1,751,614	236,821	18,334,658	7,113,938	8,378,137
Vehicles#	120,271,665	4,177,008	4,919,465	119,529,208	78,864,366	13,414,112	4,919,445	87,359,033	32,170,176	41,407,299
Total (A)	**11,118,925,621**	**1,690,541,997**	**211,975,299**	**12,597,492,320**	**8,035,913,964**	**741,384,839**	**202,011,975**	**8,575,286,828**	**4,022,205,491**	**3,083,011,657**
Particulars	**Gross Block**				**Accumulated Depreciation**				**Net Block**	
	01.01.2022	**Addition**	**Adjustment**	**31.12.2022**	**01.01.2022**	**Addition**	**Adjustment**	**31.12.2022**	**31.12.2022**	**31.12.2021**
Note B: Intangible Assets:										
Software applications#	2,825,983,019	561,717,286	22,788,960	3,364,911,344	2,121,004,643	320,407,339	21,846,610	2,419,565,372	945,345,973	704,978,376
Total (A)	**2,825,983,019**	**561,717,286**	**22,788,960**	**3,364,911,344**	**2,121,004,643**	**320,407,339**	**21,846,610**	**2,419,565,372**	**945,345,973**	**704,978,376**
Note C : Capital work in progress :	883,010,095	-	-	-	-		-	-	6,897,449	883,010,095

For Karma & Associate
Chartered Accountants
(Firm Reg. No. BH-04)

(Chimmi Dorji)
Partner
Place: Thimphu
Date: 13/02/2023

Karma & Associate ★ Chartered Accountants ★

For and on behalf of the board of directors

Chairman

Chief Executive Officer

Note: 3 Investments: Non-Current

Particulars	Dec 31, 2022	Dec 31, 2021
Investment in fixed deposits	4,000,000	4,000,000
Accrued income on investments	-	276,493
Total	**4,000,000**	**4,276,493**

Note: 4 Deferred Tax Assets (Net)

Particulars	Dec 31, 2022	Dec 31, 2021
Deferred Tax Assets		
Property, plant, and equipment	389,481,734	352,942,378
Provision for leave encashment	6,858,362	7,191,165
Provision for doubtful debt	10,155,127	10,501,089
Provision for bonus	18,930,000	13,486,462
Deferred rent	-	175,398
Provision for Salary Indexation	1,488,000	1,800,000
Provision for separation allowance	2,307,019	2,493,032
Provision for carriage allowance	1,044,492	1,124,758
Provision for travel allowance	2,307,019	2,493,032
Total	**432,571,754**	**392,207,313**
Deferred Tax Liability		
Deferred liability on account of licence fees	-	2,445,289
	-	**2,445,289**
Total	**432,571,754**	**389,762,024**

Note: 5 Lease

i) Set out below are the **carrying amounts of right-of-use-assets** recognised and the movements during the year.

Particulars	Dec 31, 2022	Dec 31, 2021
As at 1st January 2022	25,546,864	
Accumulated Depreciation expenses as at 1st Jan 2022	(7,728,876)	-
Depreciation expenses during the year	(1,514,873)	-
	16,303,114	-

The Company has lease contracts for land in its operations. Leases of land are ranging from lease terms of three years to thirty years. The company's obligations under its leases are secured by the lessor's title to the lease assets. Generally, the Company is not restricted from assigning and sub-leasing the leased assets. Short-term lease or lease less than 12 months and lease of low-value assets recognition exemptions for the right of use asset.

ii. Following are the amounts recognized in Profit or Loss;

Particulars	Dec 31, 2022	Dec 31, 2021
Depreciation expenses on the right of use of asset	1,514,873	-

Interest expenses on lease liabilities	2,200,088	-
Total Amount recognised in Profit & Loss	**3,714,962**	-

Note: 6 Other Non-Current Assets

Particulars	Dec 31, 2022	Dec 31, 2021
Deferred Rent	-	156,139
Total	-	**156,139**

Note: 7 Investments: current

Particulars	Dec 31, 2022	Dec 31, 2021
Investment in short term deposits with FIs	1,000,000	16,000,000
Accrued income on investments	-	849,534
Total	**1,000,000**	**16,849,534**

Note: 8 Inventories

Particulars	Dec 31, 2022	Dec 31, 2021
Inventory-Consumables	20,413,477	8,004,885
Inventory - Traded Goods	130,334,838	146,598,605
Provision for Inventories	(7,986,249)	(7,986,249)
Total Inventories	**142,762,067**	**146,617,242**

Note: 9 Trade receivables - current

Particulars	Dec 31, 2022	Dec 31, 2021
Unsecured, considered good	114,299,459	123,906,807
Less: - Loss allowance	(33,850,423)	(34,132,801)
Total	**80,449,036**	**89,774,006**

Note: 10 Cash and bank balances

Particulars	Dec 31, 2022	Dec 31, 2021
Cash in hand	11,912,452	11,827,386
Bank Balances	1,801,741,867	2,044,641,678
Total	**1,813,654,319**	**2,056,469,063**

Note: 11 Other receivables

Particulars	Dec 31, 2022	Dec 31, 2021
Security deposit – others	581,042	717,492
Other receivables - current	44,030,000	-
Total	**44,611,042**	**717,492**

Note: 12 Other current assets

Particulars	Dec 31, 2022	Dec 31, 2021
Advance to suppliers	47,193,773	48,991,842
Advance to others	801,264	801,264
Prepaid expense	12,921,864	15,563,275
Balance with government authority:		
Tax Deducted at Source-Asset	2,895,098	3,059,850

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Advance Income Tax		
Total	**63,811,999**	**68,416,230**
Note: 13 Asset classified as held for distribution to owners		
Particulars	**Dec 31, 2022**	**Dec 31, 2021**
Asset classified as held for distribution to owners	5,964,125	5,964,125
Total	**5,964,125**	**5,964,125**

NOTE: -

In the meeting of the Board of Directors of the company held on 18th January 2018, the Board has decided to transfer the ownership of lands to its holding Company i.e. Druk holding & investment limited (DHI) in accordance with the DHI land policy 2016 and also the letter received from DHI with reference number DHI/DOI/PIU/Lands/2017/654 dated 8th November 2017. The transfer is to be done at book value and no consideration will be received from the holding company.

Non-cash asset transfer has been accounted in the books of the company in compliance with the requirements of Accounting Standard Interpretation - 17 " Distributions of non-cash assets to owners", issued by the Accounting and Auditing Standards Board of Bhutan. ASI 17 requires to recognize a liability in the books to distribute non-cash assets as a dividend to its shareholder at a fair value of the assets to be distributed with a corresponding liability for the dividend payable.

Measurement of Land: - Due to the large volume of the land and the distinct location of many of the lands, it was impracticable for the company to determine the fair value of the lands and hence, the transaction has been accounted at carrying value of the lands.

However, as per the letter No: DHI/FD/DGA/Group Companies/2022/304 dated 28th June 2022 whereby letter states the revision in the accounting treatment on land transfer to DHI from Share Capital instead of retained earnings. Further letter states that all the land that impact should be given retrospectively to be in compliance with the Bhutanese Accounting Standard (BAS) and impact to be given in the 2022 financial.

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Note: 14 Equity share capital		
Particulars	**Dec 31, 2022**	**Dec 31, 2021**
Authorized equity share capital		
5,000,000 equity shares of Nu. 1000 each	**5,000,000,000**	**5,000,000,000**
Issued, subscribed and fully paid-up equity share capital 3,900,574 equity Shares of Nu. 1000 each.	3,900,574,000	4,000,000,000
	3,900,574,000	**4,000,000,000**

(i) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Nu.1000/- per share. Each holder of equity shares is entitled to one vote per share. Each holder of these ordinary shares is entitled to receive dividends as and when declared by the company.

(ii) Details of shareholding of the company

Particulars	Dec 31, 2022		Dec 31, 2021	
	No. of Shares	% of holding	No. of Shares	% of holding
Druk Holdings & Investment Ltd.	3,900,574	100	4,000,000	100
Total	**3,900,574**	**100**	**4,000,000**	**100**

iii Reconciliation of number of shares

Particulars	Dec 31,2022		Dec 31, 2021	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares				
At the beginning of the year	4,000,000	4,000,000,000	4,000,000	4,000,000,000
Less: Land transfer adjustment with share capital	99,426	99,426,000		
Outstanding at the end of the year	**3,900,574**	**3,900,574,000**	**4,000,000**	**4,000,000,000**

Note 15: Other equity

Particulars	Dec 31,2022	Dec 31,2021
Particulars	**31 Dec,2022**	**31 Dec,2021**
Opening balance	**1,843,640,665**	**1,483,254,405**
Land transferred to DHI	**-**	**(93,321,053)**

Karma & Associate Chartered Accountants

Add: Profit for the year	**2,312,255,097**	**1,998,283,809**
Less: Land transferred adj. with share capital	**99,426,000**	**-**
Add: Other compressive income for the year	**(10,006,619)**	**5,423,505**
Less: Dividend for the year	**(2,022,000,000)**	**(1,550,000,000)**
Closing balance	**2,220,093,125**	**1,843,640,665**

Retained earnings are the profit that the company has earned till the reporting date, less any transfer to general reserve, dividends or other distribution made to shareholders.

Note: 16 Other Payables - Non-current		
Particulars	**Dec 31,2022**	**Dec 31,2021**
License fees payable	-	61,782,630
Less:- Current maturity (refer note 21)		(38,850,000)
	-	30,699,034
Deferred Rent	-	740,799
Total	**-**	**31,439,832**

Note: 17 Deferred government grants		
Particulars	**Dec 31,2022**	**Dec 31,2021**
Grant from RGoB	179,272,326	47,137,317
Grant from JICA	306,591,817	403,280,502
Deferred government grants#	**485,864,143**	**450,417,819**

* Monitory grant received against investment in property, plant, and equipment in rural areas. The same is treated as deferred income and is recognized in the statement of comprehensive income on a systematic or rational basis over the useful life of the assets.

* Non-monetary grant received in the form of property, plant, and equipment, where the grant and the corresponding PPE have been accounted on the fair value on the receipt, Subsequently, the same is treated as deferred income and is recognized in the statement of comprehensive income on a systematic or rational basis over the useful life of the assets.

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Amortization of grant during the year is Nu. 107,930,885 (FY 2021: Nu. 113,357,982.56)

Note: 18 Employee benefit obligation

Particulars	Dec 31, 2022	Dec 31, 2021
Provision for leave encashment	20,620,416	21,939,713
Provision for separation allowance	6,334,810	6,872,510
Provision for carriage allowance	2,762,145	2,985,942
Provision for travel allowance	6,334,810	6,872,510
Total	**36,052,181**	**38,670,675**

Note: 19 Lease Liability – non-current

Particulars	Dec 31,2022	Dec 31,2021
Lease liability	18,779,711	-
Total	**18,779,771**	**-**

Note: 20 Trade and other payables - current

Particulars	Dec 31,2022	Dec 31, 2021
Sundry creditors		
Sundry creditors - domestic	48,639,430	83,513,562
Sundry Creditors - international	47,219,723	177,300,811
Other payables	150,000	150,000
Expense Accrued	3,289,829	-
Total	**99,148,982**	**260,964,372**

Note: 21 Other payables - current

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Particulars	Dec 31,2022	Dec 31, 2021
Current maturity for license payable	38,850,000	38,850,000
Security deposits - customer	3,330,799	3,290,000

Security deposits - vendor	16,467,801	22,388,669
Total	**58,648,600**	**64,528,669**

Note: 22 Short term provision

Particulars	Dec 31,2022	Dec 31, 2021
Income tax payable (Net of advance tax paid as on 31 December 2022 Nu. 524,343,570)	525,776,707	440,178,331
Provision for bonus	63,100,000	39,865,558
Provision for salary indexation	4,960,000	6,000,000
Total	**593,836,707**	**486,043,889**

Note: 23 Other current liabilities

Particulars	Dec 31,2022	Dec 31, 2021
Contract liability*		
Advances from customer	918,000	132,090,000
Advances from customer - deposit work	-	7,736,732
Advance from postpaid customer	2,125,105	4,377,416
Liability for unearned income	131,425,002	112,702,161
Other deductions	2,650,000	2,650,000
Total	**137,118,107**	**259,556,309**

*The services are being provided on the basis of usage by the subscribers. Un-provided services will be availed by the subscribers in the following year

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Note 23A - Contract liabilities

Particulars	Dec 31,2022	Dec 31, 2021
Contracts liabilities		
Advances from customer	918,000	132,090,000
Advances from customer - deposit work	-	7,736,732
Advance from post-paid customer	2,125,105	4,377,416
Liability for unearned income	131,425,002	112,702,161
Total Contracts liabilities	**134,468,107**	**256,906,309**

(i) Significant changes in contract assets and liabilities

There has been a significant change in the contract liabilities, The total contractual liability has decreased from Nu. 256,906,309 in 2021 to Nu. 134,468,107 in 2022, The decrease in contractual liability is mainly attributed from the completion and handed over of Rural Communication Project Phase VI to Bhutan Infocom and Media Authority (BICMA) on 31.12.2022., the total contract price of Nu. 176,120,000 was awarded to Bhutan Telecom Limited in 2021.

Note: 24 Employee benefit obligation - current

Particulars	Dec 31,2022	Dec 31, 2021
Provision for carriage allowance	866,959	910,716
Provision for separation allowance	1,355,261	1,437,603
Provision for travel allowance	1,355,261	1,437,603
Provision for gratuity	22,480,677	9,023,485
Provision for leave encashment	2,240,790	2,030,836
Total	**28,298,949**	**14,840,243**

Note: 25 Lease Liability Current

Particulars	Dec 31,2022	Dec 31, 2021
Lease Liability current	1,161,863	-
Total	**1,161,863**	-

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Note:26 Income from operations		
Particulars	**Dec 31,2022**	**Dec 31, 2021**
Revenue from contracts with customers		
Service revenue		
-Landline	53,457,377	61,935,034
-Mobile	5,104,190,043	4,584,073,495
-Internet	357,675,356	366,837,498
-Others	43,799,279	36,332,825
Total	**5,559,122,055**	**5,049,178,852**
Sale of products		
-Telecom products	207,406,809	285,303,629
-Accessories	9,831	10,100
Other operating revenue	**207,416,639**	**285,313,729**
Income from depository works	22,570,784	1,802,730
Total	**5,789,109,478**	**5,336,295,311**
The following table shows reconciliation of revenue recognised with contract price.		

Particulars	**Dec 31,2022**	**Dec 31,2021**
Contract price		
Adjustments for:	5,657,684,476	5,223,593,150
Contract liabilities - Liability for unearned income	131,425,002	112,702,161
Revenue from operations	**5,789,109,478**	**5,336,295,311**
Timing of revenue recognition		
Particulars	**Dec 31,2022**	**Dec 31,2021**
Products and services transferred at a point in time	207,416,639	285,313,729
Products and services transferred over time	5,559,122,055	5,049,178,852
Total	**5,766,538,694**	**5,334,492,581**

Karma & Associate Chartered Accountants

Note:27 Other income		
Particulars	**Dec 31,2022**	**Dec 31,2021**
Income from Fine & Penalty	7,215,823	5,956,073
Interest income from investments*	9,796,507	17,435,796
Miscellaneous income	79,826,594	23,012,830
Total	**97,087,499**	**46,521,275**

Note:28 Network operating expenses		
Particulars	**Dec 31,2022**	**Dec 31,2021**
Internet band-with & leased line charges	277,819,287	292,320,362
Power and fuel	61,685,964	56,385,930
Repair and maintenance	273,297,767	251,550,443
Others	12,343,382	9,514,031
Rent	6,670,895	10,415,778
Total	**631,817,296**	**620,186,544**

Note:29 Cost of trading goods		
Particulars	**Dec 31,2022**	**Dec 31, 2021**
Cost of trading goods	198,182,711	247,891,946
Total	**198,182,711**	**247,891,946**

Note:30 Employee benefit expenses		
Particulars	**Dec 31,2022**	**Dec 31, 2021**
Salaries and bonus	342,323,392	327,385,939
Provident Fund Contribution	29,671,282	30,120,165
Expense on Gratuity	13,313,962	14,121,043
Staff welfare expenses	7,411,967	4,039,051
Others	3,723,171	2,430,108
Expense on Separation Allowance	1,074,560	1,158,926
Expense on Carriage Allowance	516,205	549,152
Provision for Travel Allowance	1,074,560	1,158,926
Total	**399,109,097**	**380,963,310**

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Note:31 Depreciation and amortization

Particulars	Dec 31,2022	Dec 31, 2021
Depreciation*	742,899,712	685,825,074
Amortization*	212,476,454	202,169,285
Total	**955,376,166**	**887,994,358**

*** Depreciation expense amounting to Nu. 107,930,885 has been netted off with amortisation of government grant.**

Note:32 Finance cost

Particulars	Dec 31,2022	Dec 31, 2021
Interest expenses others	10,351,055	11,918,855
Bank charges	2,281,219	2,077,994
Total	**12,632,273**	**13,996,848**

Note:33 Other expenses

Particulars	Dec 31,2022	Dec 31, 2021
Fines and penalty	70,000	28,300
Rates and taxes	132,091	282,325
Provision for loss allowance	11,044,596	9,180,518
Deposit work expenses	18,801,705	685,286
Communication (fax, mail, post)	3,007,430	323,236
Telecommunication Expenses	1,483,411	-
Business promotion	9,279,746	4,933,373
Advertisement	1,881,264	1,326,438
Commission	182,235,420	185,770,762
Brand and management fees	38,349,668	32,392,047
Carriage outward and inward	1,985,009	1,197,365
Vehicle running expense - POL	14,961,757	9,501,793
Audit expenses	200,230	323,143
Printing and stationery	725,038	1,093,894

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Insurance	430,839	891,240
Loss on sale or retirement of asset	4,836,232	4,054,266
Professional fees	1,574,897	1,664,575
Charity and donation	27,145,035	3,721,877
Travel	12,454,986	15,046,524
R&M building - service	6,390,361	6,324,844
Repair and maintenance others	13,485,226	10,582,594
Other expenses	15,294,237	7,747,705
Total	**365,769,179**	**288,963,632**

Note: 34 Tax expenses

Particulars	Dec 31,2022	Dec 31, 2021
Deferred tax income	(42,809,730)	39,403,672
Deferred tax expense		
Corporate income tax paid	1,053,864,887	886,927,210
Tax expense related to prior period		18,205,314
Total	**1,011,055,157**	**944,536,196**

(Refer note 36 for tax expense reconciliation)

Note: 35 Earning per share

Particulars	Dec 31,2022	Dec 31, 2021
(a) Profit for the attributable to equity holders of the company	2,312,255,097	1,998,283,809
(b) Weighted average number of equity shares outstanding for calculating earnings per share.	3,900,574	4,000,000
(e) Nominal value of Equity Share (in Nu.)	1,000	1,000
(f) Basic and diluted Earnings per Share (Nu.)	593	500

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Note 36: Income tax expense

This note provides an analysis of the Company's income tax expense showing amounts that are recognised in profit or loss or other comprehensive income and how the tax expense is affected by non-assessable and non-deductible items.

Particulars	Dec 31,2022	Dec 31, 2021
(a) Income tax expense		
Current tax		
Current tax on profits for the year		
Current income tax charge for the year	1,053,864,887	886,927,210
Adjustment for current tax of prior periods	-	18,205,314
Total current tax expenses	**1,053,864,887**	**905,132,524**
Deferred tax		
Decrease (increase) in deferred tax assets	(42,809,730)	41,733,595
(Decrease) increase in deferred tax liabilities	-	(2,329,921)
Total deferred tax expense/(benefit)	**(42,809,730)**	**39,403,673**
Total	**1,011,055,157**	**944,536,197**
Particulars	**Dec 31,2022**	**Dec 31, 2021**
Current tax expense recognized in profit or loss		
Current tax on profits for the year	1,053,864,887	905,132,524
Profit and loss		
Adjustment for current tax of earlier years	-	18,205,314
Total current tax expense (A)	**1,053,864,887**	**923,337,838**

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Deferred tax expense recognised in profit or loss		
Deferred taxes.	(42,809,730)	39,403,673
Total deferred tax expense recognised in profit or loss (B)	(42,809,730)	39,403,673
Total deferred tax expense recognised in Other comprehensive income (c)	(3,001,986)	1,627,052
Total deferred tax for the year (B+C)	(45,811,716)	41,030,725
Total income tax expense recognized in profit & loss (A+B)	**1,011,055,157**	**944,536,197**
Total income tax recognized in Other comprehensive (c)	(3,001,986)	1,627,052
Total income tax expense (A+B+C)	**1,008,053,171**	**946,163,248**

(b) Reconciliation of tax expense and the accounting profit multiplied by tax rate:

Particulars	Dec 31,2022	Dec 31, 2021
Profit before tax	**3,323,310,254**	**2,942,820,004**
Tax at the rate of 30% (December 31, 2022– 30%)	**996,993,706**	**882,864,001**
Effect of non-deductible expenses, exempt income and others	14,062,081	61,670,196
Effect of prior year re-assessments	-	-
Income tax expense reported in the Statement of Profit and Loss	**1,011,055,157**	**944,536,197**

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ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Bhutan Telecom Limited

Notes to the Standalone financial statements as at December 31, 2022

Significant Accounting Policies:

Bhutan Telecom Limited ("Company") was formed as a public corporation by virtue of Telecommunication Act of Kingdom of Bhutan, 1999. The principal activities of Bhutan Telecom Limited are providing the telecom services like landline service, mobile service, internet and other allied services. The company is also engaged in providing data centre and contact centre services. The holding company is Druk Holding and Investments Limited.

The financial statements were approved and authorized for issue in accordance with the resolution of the Company's Board of Directors on 15th February, 2023

The accounting policies adopted in the preparation of these financial statements are set out as below: -

1. **Basis of Preparation:**

   The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. The financial statements are presented in Nu and all values are rounded off to the nearest Nu.

   a) **Compliance with BAS/BFRS:**
   The financial statements of the Company have been prepared to comply with the Bhutanese Accounting Standards (BAS) 2020 including the relevant provisions of the Companies Act of Bhutan, 2016 further company has decided to adopt all the applicable Standards of BAS 2020.

   b) **Historical cost convention:**
   The financial statements have been prepared on a historical cost basis, except assets held for sale which are measured at fair value less cost of disposal.

2. **Use of estimates:**

   The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

The areas involving critical estimates or judgments are:

(a) Estimation of defined benefit obligation - Note No. 40 to 44

(b) Estimation of useful life of Property plant and equipment/Intangible Asset - Note"2 (a& b)

(c) Income Taxes: Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions. - Note No. 36

(d) Recognition of deferred tax asset - Note No.37

(e) Estimation of Impairment of Trade Receivable- Note No. 39

3. **Current and non-current Classification**:

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is treated as current when:

(a) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(b) It holds the asset primarily for the purpose of trading;

(c) It expects to realize the asset within twelve months after the reporting period; or

(d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current maturities of non-current assets are also termed as current assets.

All other assets are classified as non-current.

An entity shall classify a liability as current when:

(a) It expects to settle the liability in its normal operating cycle;

(b) It holds the liability primarily for the purpose of trading;

(c) The liability is due to be settled within twelve months after the reporting period; or

(d) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Current maturities of non-current liabilities are also termed as short-term liability.

Company always classifies deferred tax assets (liabilities) as non-current assets (liabilities). All other liabilities are classified as non-current.

The operating cycle of a company is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

4. Revenue recognition:

Revenue is recognized upon transfer of control of promised products or services to the customer at the consideration, which the Company has received or expects to receive in exchange of those products or services, net of any taxes/duties, discounts, and process waivers. When determining the consideration to which the Company is entitled for providing promised products or services via intermediaries, the Company assesses whether it is primarily responsible for fulfilling the performance obligation and whether it controls the promised service before transfer to customers. To the extent that the intermediary is considered a principal, the consideration to which the Company is entitled is determined to be that received from the intermediary.

Revenue is recognized when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

a) **Service revenue:**

Service revenues mainly pertain to usage, subscription and customer onboarding charges for voice, data, messaging and value-added services. It also includes revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services.

Telecommunication services (comprising voice, data and SMS) are considered to represent a single performance obligation as all are provided over the Company's network and transmitted as data representing a digital signal on the network. The transmission consumes network bandwidth and therefore, irrespective of the nature of the communication, the customer ultimately receives access to the network and the right to consume network bandwidth.

The Company recognizes revenue from these services as they are provided. Revenue is recognized based on actual units of telecommunication services provided during the reporting period as a proportion of the total units of telecommunication services to be provided. Subscription charges are recognized over the subscription pack validity period. Customer on boarding revenue and associated cost is recognized upon successful on boarding of customer i.e. upfront. Revenues in excess of invoicing are classified as contract assets while invoicing/collection in excess of revenue are classified as contract liabilities.

Service revenues also include revenue from interconnection/roaming charges for usage of the Company's network by other operators for voice, data, messaging and signaling services. These are recognized upon transfer of control of services being transferred over time. Certain business services revenues include revenue from registration and installation, which are amortized over the period of the agreement since the date of activation of service. Revenues from long distance operations comprise of voice services and bandwidth services (including installation), which are recognized on the provision of services and over the period of respective arrangements

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b) Sale of Trading goods:

Revenue from the sale of goods mainly pertains to sale of telecommunication equipment and related accessories for which revenue is recognized when the control of equipment is transferred to the customer, i.e. transferred at a point in time when the risk and rewards of the goods are transferred to the buyer. However, in case of equipment sale forming part of multiple-element revenue arrangements which is not a distinct performance obligation, revenue is recognized over the customer relationship period.

c) Interest income:

Interest income is recorded using the effective interest rate (EIR) for the long-term investments, and any interest income earned from short term deposits with banks and bank balances are recorded at prevailing market interest rates offered by respective financial institutions.

d) Rental income:

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

e) Other Claims:

All other miscellaneous incomes are booked in the accounts only when collection is made.

5. Property, Plant and Equipment

a) PPE is initially recognized at cost. The company follows cost model for Property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labor and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and

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equipment and are recognized net within "other income / other expenses" in the Statement of comprehensive income.

b) Subsequent costs:

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred.

c) Depreciation:

i. Depreciation is recorded by a charge to operating profit computed on a straight-line basis so as to write off the cost of the assets to their residual values over the expected useful lives. The residual value and the useful life of an asset are reviewed at each year end.

ii. Estimated useful life of Assets applied is as follows:

Asset type	Useful life
1. Land	NA
2. Building	
a. Permanent structure	50 yrs
b. Semi-permanent structure	15 yrs
c. Temporary structure	5 yrs
3. Tele-equipment	
a. Tower	30 yrs
b. Rest	7 yrs
4. Power systems & cable	
a. Air conditioner	5 yrs
b. Rest	10 yrs
5. Furniture	10 yrs
6. Office equipment	5 yrs
7. Vehicle	5 yrs
8. Software application	5 yrs
9. Lease	As per lease tenure
10. License (based on agreement)	15 yrs

6. Capital work in progress:

Expenditure on material, labor, contract expenses and directly attributable costs such as employee costs and overheads, project management expenses incurred during construction period for executing the particular project are included in CWIP till these are capitalized.

Indirect expenditures and overheads incurred is expensed off and are not capitalized. Work, which is still in progress relating to civil construction, is accounted for under capital work-in-progress after settling the project system in ERPNEXT on a monthly basis. Capitalization of work-in-progress has been done on the basis of a completion certificate issued by the concerned authority.

7. Intangible assets:

a) Software:

The intangible assets are initially measured at cost and carried as per cost model. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

Subsequent Expenditure:

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditures, including expenditure on internally generated goodwill and brands, are expensed off in the year in which they are incurred.

b) Amortization:

These costs are amortized over their estimated useful lives of 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Intangible assets include license fees which is amortized over the period of the license

8. Leases:

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

Company as a lessee:

Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in Statement of comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

Company as a lessor:

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating

and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

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Lease Income :

Lease income from operating lease is recognized in statement of comprehensive income on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit.

Accounting for leases where the Company as a Lessee:

Accounting policies applied from 1st January 2022

Leases are broadly categorized into Finance & Operating lease, based on the substance of lease agreement, all Finance leases are recognized as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date). Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

a. ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated as per the tenure of lease agreement, on a straight-line basis.

b. Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and Payments of penalties for terminating the lease, if the lease term reflects the Company and exercising that option.

Since interest implicit rate cannot be readily determined Company has used incremental borrowing rates offered by financial institutions in the Country. This is the rate that the

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individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment, terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

c. Remeasurement of lease liabilities

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company has re-assess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affect whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in the remeasurement of the lease liabilities.

9. Government grants:

Grants from Government and Government agencies including non-monetary grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to income are recognized in the Statement of comprehensive income on a systematic basis over the periods in which the entity recognizes expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of deferred income in the Statement of Financial Position. Government grants related to depreciable assets is treated as deferred income and are recognized in comprehensive income statement on a systematic basis over the useful life of assets. Government Grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Amount of depreciation on property, plant and equipment acquired through grant has been transferred to statement of comprehensive income by reducing depreciation expense. A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of comprehensive income in the year it is received or becomes receivable. A government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of company. In these circumstances, the fair value of the non-monetary asset is assessed, and both the grant and asset are accounted for at that fair value. Grants relating to the period prior to 30th June 2000 are not identifiable and as such merged with the deferred government grants.

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10. Employee benefits:

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

a) Defined Contribution Plan (Pension and Provident Fund):

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in statement of comprehensive income when the contribution to the Fund becomes due.

b) Defined Benefit Plans (Gratuity):

In accordance with the BTL service rule, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in the statement of comprehensive income. Measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur and presented in other comprehensive income.

c) Short Term Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

d) Earned Leave Encashment:

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per BTL service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in statement of comprehensive income. The plan is unfunded.

e) Other Long-Term Benefits :

As per company's service rules, the employee who has rendered minimum three years of service are entitled to Travelling allowance of an amount equal to one month's last basic pay of the employee, Transfer grant of an amount equal to one month's last basic pay of the employee and Carriage charges at the time of leaving the service. One-month basic pay for this purpose is the pay at the time of leaving the service. The company's net obligation in respect of this terminal benefit is calculated by estimating the amount of benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in Statement of comprehensive income. The plan is unfunded.

11. Fair value measurement:

The Company measures some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in level 1 that are observed for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of reporting period during which the change has occurred. The management has an established control framework with respect to fair value measurement. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the management.

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For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarizes accounting policy for fair value. Other fair value-related disclosures are given in the relevant notes.

- Disclosures for valuation methods, significant estimates, and assumptions
- Financial instruments (including those carried at amortized cost)."

12. Current & deferred income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiary, associate, and joint venture where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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13. Provisions:

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract

14. Contingent Liabilities and Contingent Assets:

Contingent liabilities is not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets is also not recognized but disclosed for all possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

15. Foreign Currency:

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognized in statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the Statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

16. Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost of inventories includes all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and conditions.

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Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Consumables and Stores & Spares: The Stock of stores & spare parts are charged to revenue account except loose tools. Stores are valued at cost calculated on the basis of yearly weighted average method. Provisions are made for unserviceable, damaged, obsolete, slow-moving, defective stores and spares identified during the physical stock taking.

17. Segmental reporting:

The company is in the Business of providing telecom services and its operating facilities are all situated in the Royal Kingdom of Bhutan only. Under the broad segment of telecom services, the company has subsidiary segments of fixed line service, mobile service, data center and cloud service and internet service. Further, as the company's share are not listed with any stock exchange market, the provision of BFRS-8 - Operating segments is not applicable to the company.

18. Impairment:

At the end of each reporting period, entity assesses whether there is any indication that an asset (tangible or intangible) may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset. Asset is impaired when its carrying value exceeds its recoverable amount. Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

19. Investments & other financial assets:

BFRS-9 Financial Instruments replaces BAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1st January 2022, bringing together all the aspects of the accounting for financial instruments: classification and measurement; impairment.
No material effect to the financial statement recognition and presentation for all periods presented, due to the adoption of BFRS 9, except for following changes in accounting policies. For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

a) Initial measurement:

At initial recognition, the company measures a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss, transaction costs that are directly

Sharma & Associates Chartered Accountants attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

b) Classification and subsequent measurement:

For the purpose of subsequent measurement, financial assets of the company are classified in the following categories:

i. Financial assets measured at amortized cost;

ii. Financial assets measured at fair value through other comprehensive income (FVTOCI);

iii. Financial assets measured at fair value through profit and loss (FVTPL)

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

i. Financial assets measured at amortized cost:

Financial assets are measured at amortized cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income and the losses arising from impairment are also recognized in the same. This category generally applies to trade and other receivables, bank deposits, security deposits, investment in government securities, bonds, cash and cash equivalents and employee loans, etc.

ii. Financial instruments measured at fair value through other comprehensive income:

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

a) The objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
b) The asset's contractual cash flow represents SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). Currently, the company does not have any asset classified under this category.

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iii. Financial instruments measured at fair value through profit and loss:

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

c. Impairment of financial assets:

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. Impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset.

Loss events are events that have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of loss is recognized in statement of profit or loss.

d. De-recognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily de-recognized only when:

i. the rights to receive cash flows from the asset have been transferred, or

ii. the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized. When the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Investments in fixed deposits, Treasury Bills and Bonds are considered as low risk of default.

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e. Income recognition:

Interest income: Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

20. Financial liabilities:

a) Initial recognition and measurement:

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

b) Subsequent measurement:

The measurement of financial liabilities depends on their classification, as described below:

i. Financial Liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the Statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

ii. Embedded derivatives:

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract - with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial

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instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through statement of comprehensive income. If the hybrid contract contains a host that is a financial asset within the scope of BAS 9, the Company does not separate embedded derivatives. Rather, it applies the classification requirements contained in BAS 9 to the entire hybrid contract. Derivatives embedded in all other host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though statement of comprehensive income. These embedded derivatives are measured at fair value with changes in fair value recognised in statement of comprehensive income, unless designated as effective hedging instruments.

iii. Trade and other payables:

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

c) De-recognition:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of comprehensive income. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in Statement of comprehensive income.

21. Offsetting:

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts

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and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

22. Cash & cash equivalents:

Cash and cash equivalents include cash in hand, demand deposits with banks, other short - term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

23. Trade & other receivables:

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

24. Trade & other payables:

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

25. Assets held for sale:

Non-current assets or disposal groups comprising of assets and liabilities are classified as 'held for sale' when all of the following criteria are met: (i) decision has been made to sell. (ii) the assets are available for immediate sale in its present condition. (iii) the assets are being actively marketed and (iv) sale has been agreed or is expected to be concluded within 12 months of the Statement of financial position date.

Subsequently, such non-current assets and disposal groups classified as 'held for sale' are measured at the lower of its carrying value and fair value less costs to sell. Non-current assets held for sale are not depreciated or amortized.

26. Earnings per share:

a. Basic earnings per share:

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

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b. **Diluted earnings per share**:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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Note 37: Deferred tax assets/ liabilities

Particulars	Property, plant and equipment	Provision for Leave Encashment	Provision for doubtful debt	Provision for bonus	deferred rent	Provision for separation allowance	Provision for carriage charges	provision for travel allowance	Provision for Salary Indexation	Deferred liability on account of license fees	Total
At 1st December 2020	**398,522,873**	**6,131,151**	**12,254,575**	**11,029,127**	**178,213**	**2,339,045**	**1,146,878**	**2,339,045**	**-**	**(4,775,211)**	**429,165,696**
Charged/(credited):											
- to profit or loss	(45,580,495)	1,060,014	(1,753,486)	2,457,335	(2,815)	153,987	(22,120)	153,987	1,800,000	2,329,921	**(39,403,672)**
- to other comprehensive income	-	-	-	-	-	-	-	-	-	-	**-**
At 31st December 2021	**352,942,378**	**7,191,165**	**10,501,089**	**13,486,462**	**175,398**	**2,493,032**	**1,124,758**	**2,493,032**	**1,800,000**	**(2,445,290)**	**389,762,024**
Charged/(credited):	-	-	-	-	-	-	-	-	-	-	-
- to profit or loss	36,539,356	(332,803)	(345,962)	5,443,538	(175,398)	(186,013)	(80,266.14)	(186,013)	(312,000)	2,445,290	**(42,809,730)**
- to other comprehensive income	-	-	-	-	-	-	-	-	-	-	**-**
At 31st December 2022	**389,481,734**	**6,858,362**	**10,155,127**	**18,930,000**	**-**	**2,307,019**	**1,044,492**	**2,307,019**	**1,488,000**	**-**	**432,571,754**

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Note 38: Fair value measurements

Financial instruments by category

Particulars	31 December, 2022	31 December,2021
	Amortised cost	
Financial assets		
Investment in fixed deposits	4,000,000.00	4,000,000.00
Accrued income on investments	-	276,493
Trade receivables	80,449,036	89,774,006
Cash and cash equivalent	1,813,654,319	2,056,469,063
Security deposits	44,611,042	717,492
Income accrued but not due	-	849,534
Total financial assets	**1,942,714,396**	**2,152,086,588**
Financial liabilities		
License fee payable	-	30,699,034
Deferred rent	-	740,799
Sundry creditors	95,859,153	260,814,372
Other payables	3,289,829	150,000
Current maturity for license payable	38,850,000	38,850,000
Security deposits	19,798,600	25,678,669
Total financial liabilities	**157,797,582**	**356,932,874**

i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Level 1: hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Note: a) There have been no transfers between Level 1 and Level 2 for the years ended 31 December 2022, and 31 December 2021.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

(i) the fair value of the financial instruments is determined using discounted cash flow analysis.

(iii) Fair value of financial assets and liabilities measured at amortised cost

Particulars	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment in fixed deposits	4,000,000	4,000,000	4,276,493	4,276,493
Security deposit with BOB	1,000,000	1,000,000	-	-
Total financial assets	**5,000,000**	**5,000,000**	**4,276,493**	**4,276,493**
Financial liabilities				
Long term loan	-	-	192,709,290	-
License fee payable	38,850,000	69,571,347	69,549,034	69,571,347
Deferred Rent	-	-	740,799	740,799
Total financial liabilities	**38,850,000**	**69,571,347**	**262,999,122**	**70,312,146**

(a) Fair value of borrowings in table above is estimated by discounting expected future cash flows.

(b) The management assessed that the fair values of remaining financial assets and liabilities at amortised cost approximate to their carrying amounts largely due to the short-term maturities of these instruments.

(c) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

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Note 39: Capital management

(a) Risk Management

The company's objectives when managing capital are to;

i. Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

ii. Maintain an optimal capital structure to reduce the cost of capital.

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI). The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The funding requirement is met through a mixture of equity and long-term borrowings.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investors, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The Company is not subject to any externally imposed capital requirements.

The amount mentioned under total equity in balance sheet is considered as Capital.

(b) Dividends Paid

Particulars	2023	2022	2021
(i) Equity shares Final dividend for the year ended 31st December 2022	2,496,000,000	2,022,000,000	1,550,000,000
(ii) Dividends not recognised at the end of the reporting period In addition to the above dividends, since year end the board has recommended the payment of a final dividend of Nu. 2,496,000,000. This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.		2,496,000,000	2,198,000,000

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Note 40: Financial Risk Management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e. foreign currency risk, interest rate risk and price risk).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure Arising	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Ageing analysis	Diversification of bank deposits, customer base and credit limits
Liquidity risk	Trade payables and other financial liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk – foreign exchange	Recognised financial assets and liabilities not denominated in ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Diversification of liability
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions

(A) Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 38.

(I) Trade and Other Receivables

Apart from cash and cash equivalents, company's majority of the financial assets are in the form of trade receivables only. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. As significant portion of the company's sale is in cash (all prepaid services), total trade receivables outstanding at the reporting date are also not significant in comparison of the

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company's total revenue. These trade receivables are non-interest bearing and are generally on credit term of 60-90 days. The Company regularly monitors its outstanding customer receivables.

The Company has a detailed review mechanism of overdue customer receivables at various levels within organisation to ensure proper attention and focus for realisation.

Company categorized its trade receivables mainly into two categories, due from international customers and from domestic customers. In case of international debtors, there is no history of default and delay risk. Further, as per the arrangement and company's policy in case of majority of the international customers, receivables balances are settled on regular interval. Therefore,

considering the forward-looking approach management believes that the credit risk in case of international customers is not significant and however loss allowance is created in during the year.

In case of domestic trade receivables, company have history of delay in recovery as well as default in recovery. However, as per the company policy, in case of delay in recovery, company billed and recover delay charges for the delay period. Accordingly, company is not exposed to delay risk. For default risk, company based on history, past trends and forwarding looking approach provides for loss allowance following expected credit loss method.

The Company uses expected loss model to measure loss allowance on trade receivables which is based on provision matrix.

The ageing of trade receivables (net of provisions) as of balance sheet date is given below. The age analysis have been considered from the due date:

Particulars	Less than 180 days	More than 180 days	Total
Expected loss 2022			
Trade receivables as at 31.12.2022 (gross)	91,681,405	32,200,516	123,881,921
Less: Loss allowance	(5,763,437)	(28,427,402)	(34,190,839)
Trade receivables as at 31 12. 2022	**85,917,968**	**3,773,114**	**89,691,082**

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Particulars	**Less than 180 days**	**More than 180 days**	**Total**
Expected loss 2021			
Trade receivables as at 31.12.2021 (gross).	116,705,031	40,158,349	156,863,380
Less: Loss allowance	(8,009,837)	(32,838,726)	(40,848,583)
Trade receivables as at 31.12.2021	**108,695,174**	**7,319,623**	**116,014,798**

The Company performs on-going credit evaluations of its customers' financial condition and monitors the credit-worthiness of its customers to which it grants credit in its ordinary course of business. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amount due. Where the financial asset has been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit and loss.

Financial Instruments and Cash Deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance division in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through the counterparty's potential failure to make payments. None of the company's cash equivalents with banks, deposits and other receivables were past due or impaired as at 31st December 2022.

(i) Credit Risk Management

Credit risk from balances with banks and financial institutions is managed by the Company's finance department. Currently, the Company has investment in fixed deposits which are made only with approved counterparties in accordance with the Company's policy.

Apart from cash and cash equivalents, company's majority of the financial assets are in the form of trade receivables only. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. As significant portion of the company's sale is in cash (all prepaid services), total trade receivables outstanding at the reporting date are also not significant in comparison of the company's total revenue. These trade receivables are non-interest bearing and are generally on credit term of 30-60 days. The Company regularly monitors its outstanding customer receivables.

Company categorised its trade receivables mainly into two categories, due from international customers and from domestic customers. In case of international debtors, there is no history of default and delay risk. Further, as per the arrangement and company's policy in case of majority of the international customers, receivables balances are settled on regular interval. Therefore, considering the forward looking approach management believes that the credit risk in case of international customers is not significant and no loss allowance is required to be provided.

In case of domestic trade receivables, company has history of delay in recovery as well as default in recovery. However, as per the company policy, in case of delay in recovery, company billed and recover delay charges for the delay period. Accordingly, company is not exposed to delay risk. For default risk, company based on history, past trends and forwarding looking approach provides for loss allowance following expected credit loss method.

(B) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

(i) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual Maturities of Financial Liabilities:

Particulars	Less than 1 year	More than 1 year	Total
31 December,2022			
License fee payable	38,850,000	-	38,850,000
Sundry creditors	95,859,153	-	95,859,153
Other payables	3,289,829	-	3,289,829
Provision for Bonus	68,060,000	-	68,060,000
Security deposits	19,798,600	-	19,798,600
Total non-derivative liabilities	**225,857,582**	**-**	**225,857,582**
31 December,2021			
License fee payable	38,850,000	-	38,850,000
Sundry creditors	99,148,982	-	99,148,982
Other payables	58,648,600	-	58,648,600

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Provision for Bonus	68,060,000	-	68,060,000
Total Non-Derivative Liabilities	**264,707,582**	**-**	**264,707,582**

(C) Market Risk

(i) Foreign Currency Risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company does not operate internationally, however, expose to the foreign currency risk due to receivables/payables denominated in foreign currency for the various transactions such as interconnect agreement with foreign operators, and providing network services to the foreign operator's customers, etc. Foreign currency risk, is closely monitored by the Management to decide on the requirement of hedging. The position of foreign currency exposure to the Company as at the end of the year is expressed in USD are as follows:

Particulars	**December 31, 2022**	**December 31, 2021**
	USD	**USD**
Financial assets	110,309	163,850
Financial liabilities	171,507	38,285
Net exposure to foreign currency risk	(61,197)	125,565

Particulars	**December 31, 2022**	**December 31, 2021**
	Euro	**Euro**
Financial assets	637	798
Financial liabilities	-	-
Net exposure to foreign currency risk	637	798

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Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	Change in currency exchange rate	Impact on profit before tax	
		December 31, 2022	December 31, 2021
USD sensitivity			
Appreciation in Nu.*	5%	(3,060)	6,278
Deprecation in Nu.*	-5%	3,060	(6,278)
EURO sensitivity			
Appreciation in Nu.*	5%	31.85	39.90
Deprecation in Nu.*	-5%	(31.85)	(39.90)

* Holding all other variables constant

As value of Nu. is constantly equal to the INR, company is not exposed to any foreign currency risk relating to amount receivables/payables in INR.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. As company does not have any variable rate borrowing outstanding or investment, company is not exposed to significant interest rate risk.

(iii) Price Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Company does not have any financial asset investments which are exposed to price risk.

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Note :41 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-22	31-Dec-21
1	DBO at end of prior period	235,275,713	222,947,201
2	Current service cost	12,953,022	13,766,943
3	Interest cost on the DBO	17,327,008	17,481,676
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	4,161,719	(10,205,880)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	138,273
11	Benefits paid directly by the Company	-	-
12	Benefits paid from plan assets	(37,376,218)	(8,852,500)
13	**DBO at end of current period**	**232,341,245**	**235,275,714**
B	**Statement of Profit & Loss**	**31-Dec-22**	**31-Dec-21**
1	Current service cost	12,983,022	13,766,943
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	12,953,022	13,766,943
6	Net interest on net defined benefit liability / (asset)	17,327,008	17,481,676
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
8	**Cost recognized in P&L**	**30,280,031**	**31,248,619**
C	**Defined Benefit Cost**	**31-Dec-22**	**31-Dec-21**
1	Service cost	12,953,022	13,766,943
2	Net interest on net defined benefit liability / (asset)	17,327,008	17,481,676
3	Actuarial (gains)/ losses recognized in OCI	(9,166,715)	(5,097,559)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans		
5	**Defined Benefit Cost**	**21,113,316**	**26,151,060**

D	**Development of Net Financial Position**	**31-Dec-22**	**31-Dec-21**
1	Defined Benefit Obligation (DBO)**	232,341,245	235,275,714
2	Fair Value of Plan Assets (FVA)	209,860,569	226,252,228
3	Funded Status (Surplus/(Deficit))	(22,480,676)	(9,023,485)
4	**Net Defined Benefit Liability**	**(22,480,676)**	**(9,023,485)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-22**	**31-Dec-21**
1	Net defined benefit asset/ (liability) at end of prior period	235,275,713	222,947,201
2	Service cost	12,953,022	13,766,943
3	Net interest on net defined benefit liability/ (asset)	17,327,008	17,481,676
4	Actuarial (gain) or losses due to experience adjustment	4,161,719	(10,205,880)
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	(37,376,218)	(8,852,500)
8	Actuarial (gain) or losses due to financial assumptions	-	138,273
9	Withdrawals From the Plan Assets	-	-
10	Cost of termination benefits	-	-
	Net defined benefit liability at end of current period	**232,341,244**	**235,275,712**
F	**Other Comprehensive Income (OCI)**	**31-Dec-22**	**31-Dec-21**
1	Actuarial (gain)/loss due to liability experience	4,161,719	(10,205,880)
2	Actuarial (gain)/loss due to liability assumption changes	-	138,273
3	Actuarial (gain)/loss arising during period	4,161,719	(10,067,607)
4	Return on plan assets (greater)/less than discount rate	5,004,996	4,970,048
5	Actuarial (gains)/ losses recognized in OCI	9,166,715	(5,097,559)
6	Adjustment for limit on net asset	-	-
	Expense recognized as OCI	**9,166,715**	**(5,097,559)**

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	Actuarial (Gain) or Loss Recognized via OCI at Current Period End		
G	**Reconciliation of changes in Fair Value of Plan Asset**	**31-Dec-22**	**31-Dec-21**
1	Fair value at the beginning of the year	226,252,229	123,830,921
2	Contribution paid into the plan	9,023,485	99,116,280
3	Return on plan assets	16,966,069	17,127,576
4	Benefits paid from the plan	(37,376,218)	(8,852,500)
5	Return on plan assets greater or (less) than discount rate	(5,004,996)	(4,970,048)
	Fair value at the end of period	**209,860,568**	**226,252,228**
H	**Expected benefit payments for the year ending**	**31-Dec-22**	**31-Dec-21**
	Less than a year	39,310,676	34,677,298
	Between 1 - 2 years	31,374,725	31,719,896
	Between 2 - 5 years	103,860,825	102,895,711
	Over 5 years	562,383,389	635,398,484
(i)	**Expected employer contributions for the period ending 31 December, 2022**		**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**		**11.17 years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**		
a	**Discount Rate**	**31-Dec-22**	**31-Dec-21**
	Discount Rate as at 31 December 2022	0.50%	0.50%
	Effect on DBO due to 0.5% increase in Discount Rate	(7,429,594)	(8,029,282)
	Effect on DBO due to 0.5% decrease in Discount Rate	7,919,917	8,573,426
b	**Salary Escalation rate**	**31-Dec-22**	**31-Dec-21**
	Salary Escalation rate as at 31 December 2022	0.50%	0.50%
	Effect on DBO due to 0.5% increase in Salary escalation rate	8,516,059	9,162,976
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(8,062,424)	(8,658,477)

(iv)Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

1. Discount rate risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

2. Salary growth risk

As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

3. Employee turnover risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

4. Demographic risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

5. Regulatory risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefits such as an increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

6. Liquidity risk

Finally, there is a risk that BTL may not be able to honor the gratuity payments in the short-run due to liquidity constraints.

7. Investment risk

As the gratuity scheme, there is a risk that the fund's investment is not able to earn the assumed rate of return. In such a situation, the ultimate cost of the plan will be affected

8. Asset-liability mismatch risk

This risk arises from the unavailability of investments suitable and commensurate with the nature of liability, especially in the absence of well-developed capital market.

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Note: 42 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Leave Encashment)

V) Other Long-Term benefits (Un-Funded)

A	**Change in Defined Benefit Obligation (DBO)**	**31-Dec-22**	**31-Dec-21**
1	DBO at end of prior period	23,970,549	20,437,169
2	Current service cost	(1,109,343)	3,533,380
3	Interest cost on the DBO	1,176,962	288,221
4	Curtailment (credit)/ cost		
5	Settlement (credit)/ cost		
6	Past service cost - plan amendments		
7	Acquisitions (credit)/ cost		
8	Actuarial (gain)/loss - experience	17,340,079	16,544,440
9	Actuarial (gain)/loss - demographic assumptions		
10	Actuarial (gain)/loss - financial assumptions	-	1,740
11	Benefits paid directly by the Company	(18,517,042)	(16,834,401)
12	Benefits paid from plan assets		
13	**DBO at end of current period**	**22,861,206**	**23,970,549**
B	**Statement of Profit & Loss**	**31-Dec-22**	**31-Dec-21**
1	Current service cost	(1,109,343)	3,533,380
2	Past service cost		
3	Loss or (Gain) on settlement		
4	Interest on DBO	1,176,962	288,221
6	Net interest on net defined benefit liability / (asset)		
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	17,340,079	16,546,180
8	**Cost recognized in P&L**	**17,407,699**	**20,367,781**
C	**Other Comprehensive Income (OCI)**	**31-Dec-22**	**31-Dec-21**
1	Actuarial (gain)/loss due to experience adjustments	17,340,079	16,544,440
2	Actuarial (gain)/loss due to change in demographic assumptions	-	1,740
3	Actuarial (gain)/loss arising during period	17,340,079	16,546,180
4	Return on plan assets (greater)/less than discount rate		
5	Actuarial (gains)/ losses recognized in OCI	17,340,079	16,546,180

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6	Adjustment for limit on net asset		
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**17,340,079**	**16,546,180**
D	**Development of Net Financial Position**	**31-Dec-22**	**31-Dec-21**
	Defined Benefit Obligation (DBO)**	22,861,206	23,970,549
	Fair Value of Plan Assets (FVA)	-	-
	Funded Status (Surplus/(Deficit))	22,861,206	23,970,549
	Net Defined Benefit Liability	**22,861,206**	**23,970,549**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-22**	**31-Dec-21**
1	Net defined benefit asset/ (liability) at end of prior period	23,970,549	20,437,169
2	Service cost	(1,109,343)	3,533,380
3	Net interest on net defined benefit liability/ (asset)	1,176,962	288,221
4	Actuarial gain/loss due to experience	17,340,079	16,544,440
5	Amount recognized in Profit & Loss		
6	Employer contributions		
7	Benefit paid directly by the Company	(18,517,042)	(16,834,401)
8	Acquisitions credit/ (cost)		
9	Actuarial (gain) or Losses due to change in financial assumptions	-	1,740
10	Withdrawals From the Plan Assets		
11	Cost of termination benefits		
10	**Net defined benefit liability at end of current period**	**22,861,206**	**23,970,549**

	Expected benefit payments for the year ending	**31-Dec-22**
2	31-Dec-22	2,420,053
3	31-Dec-23	2,050,088
4	31-Dec-24	2,720,813
5	31-Dec-25	1,799,192
6	31-Dec-26	1,897,547
7	December 31, 2027 to December 31, 2031	8,398,174
8	December 31, 2032 to December 31, 2041	21,320,808

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i) Expected employer contributions for the period ending 31, December 2022.

ii) Weighted average duration of defined benefit obligation: 9.36 years.

E	Sensitivity Analysis		
	Assumption/Parameter	**Scenario**	**Net Effect of BDO**
	Discount Rate	0.5% Base Rate -0.5%	(898,561) Base Rate 962,542
	Salary Growth Rate	0.5% Base Rate -0.5%	(1,018,625) (959,077)
	Employee Turnover rate	0.5% Base Rate -0.5%	(20,860) Base Rate 20,487
	Particulars	**31-Dec-22**	**31-Dec-21**
	Present value obligation at the end of the year towards compensated absences** **Excluding earned leave on contract labour	22,861,206	23,970,549

i) Risk Exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with a prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risks as discussed herein.

1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

2. Salary Growth Risk

As the Earned Leave benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost that is higher than the estimate. Similarly, slower salary growth will result in actual liability being lower than projected.

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3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in a change in the cost of the plan.

5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Travel allowance benefit such as increase in Earned Leave Benefit such as increase in ceiling, introduction of floor and change in vesting period or benefit accrual rate would eventually alter the liability.

6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Earned leave payments in the short-run due to liquidity constraints.

Note: 43 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Carriage Allowance)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-22	31-Dec-21
1	DBO at end of prior period	3,896,658	3,822,924
2	Current service cost	246,192	269,721
3	Interest cost on the DBO	270,012	279,431
4	Actuarial (gain)/loss - experience	(259,247)	(144,643)
5	Actuarial (gain)/loss - financial assumptions	-	(744)
6	Benefits paid directly by the Company	(1,043,006)	(330,031)
	DBO at end of current period	**3,629,104**	**3,896,658**
B	**Statement of Profit & Loss**	**31-Dec-22**	**31-Dec-21**
1	Current service cost	246,192	269,721
2	Service cost	246,192	269,721
3	Net interest on net defined benefit liability / (asset)	270,012	279,431

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	Cost recognized in P&L	**516,205**	**549,152**
C	**Defined Benefit Cost**	**31-Dec-22**	**31-Dec-21**
1	Service cost	246,192	269,721
2	Net interest on net defined benefit liability / (asset)	270,012	279,431
3	Actuarial (gains)/ losses recognized in OCI	259,247	(145,387)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**775,452**	**403,765**
D	**Development of Net Financial Position**	**31-Dec-22**	**31-Dec-21**
1	Defined Benefit Obligation (DBO)**	(3,629,104)	(3,896,658)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(3,629,104)	(3,896,658)
	Net Defined Benefit Liability	**(3,629,104)**	**(3,896,658)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-22**	**31-Dec-21**
1	Net defined benefit asset/ (liability) at end of prior period	(3,896,658)	(3,822,924.00)
2	Service cost	(269,192)	(269,721)
3	Net interest on net defined benefit liability/ (asset)	(259,012)	(279,431)
4	Amount recognized in OCI	(259,247)	144,643
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	1,043,006	330,031
8	Acquisitions credit/ (cost)	-	-
9	Actuarial (gain) or losses due to change in financial assumptions	-	744
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	-	-
	Net defined benefit liability at end of current period	**(3,629,104)**	**(3,896,658)**
F	**Other Comprehensive Income (OCI)**	**31-Dec-22**	**31-Dec-21**
1	Actuarial (gain)/loss due to liability experience	259,247	(144,643)

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2	Actuarial (gain)/loss due to liability assumption changes	-	(744)
3	Actuarial (gain)/loss arising during period	259,247	(145,387)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	259,247	(145,387)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**259,247**	**(145,387)**

G	Expected benefit payments for the year ending	31-Dec-22
2	31-Dec-23	936,316
3	31-Dec-24	754,399
4	31-Dec-25	786,795
5	31-Dec-26	610,138
	31-Dec-27	630,546
6	December 2028 to December,2032	2,881,731
7	December 2033 to December,2042	5,924,507

i. Expected employer contributions for the period ending 31 December 2022

ii. Weighted average duration of defined benefit obligation 8.39 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-22	31-Dec-21
	Discount Rate as at 31 December 2022		
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) increase in Discount Rate	(101,185)	(108,050)
	Effect on DBO due to 0.5% (2018: 1%, 2017: 1%) decrease in Discount Rate	107,392	114,670
b	**Carriage Cost Inflation Rate**	**31-Dec-22**	**31-Dec-21**
	Carriage cost inflation rate as at 31 December 2022		
	Effect on DBO due to 0.5% increase in Transportation Cost	120,482	128,629
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(114,444)	(122,190)

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c.	Mortality Rate	31-Dec-22	31-Dec-21
	Carriage cost inflation rate as at 31 December 2022		
	Effect on DBO due to 0.5% increase in Transportation Cost	13%	128,629
	Effect on DBO due to 0.5% decrease in Salary escalation rate	13%	(122,190)

iv. Risk Exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

2. Increase in Cost of Transportation Risk

As this benefit is based on the final cost of transportation at the time of retirement in the future, the actual cost of the plan will depend on the growth rate of transportation cost and inflation over the years. As such, a higher than expected growth in cost of transportation will result in a cost which is higher than the estimate. Similarly, lower inflation will result in actual liability being lower than projected.

3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Carriage Allowance benefit such as increase in Carriage Allowance ceiling, introduction of Carriage Allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

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6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Carriage Allowance payments in the short-run due to liquidity constraints.

Note: 44 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Separation Allowance)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-22	31-Dec-21
1	DBO at end of prior period	8,310,113	7,796,822
2	Current service cost	489,148	557,394
3	Interest cost on the DBO	585,412	601,532
4	Actuarial (gain)/loss - experience	290,328	(91,246)
5	Actuarial (gain)/loss - demographic assumptions		
6	Actuarial (gain)/loss - financial assumptions	-	966
7	Benefits paid directly by the Company	(1,984,930)	(555,355)
8	Benefits paid from plan assets		
	DBO at end of current period	**7,690,071**	**8,310,113**
B	**Statement of Profit & Loss**	**31-Dec-22**	**31-Dec-21**
1	Current service cost	489,147	557,394
2	Service cost	489,148	557,394
3	Net interest on net defined benefit liability / (asset)	585,412	601,532
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Cost recognized in P&L	**1,074,560**	**1,158,926**
C	**Defined Benefit Cost**	**31-Dec-22**	**31-Dec-21**
1	Service cost	557,394	557,394
2	Net interest on net defined benefit liability / (asset)	585,412	601,532
3	Actuarial (gains)/ losses recognized in OCI	290,328	(90,280)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**1,433,134**	**1,068,646**

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D	Development of Net Financial Position	31-Dec-22	31-Dec-21
1	Defined Benefit Obligation (DBO)**	(7,690,071)	(8,310,113)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,690,071)	(8,310,113)
4	**Net Defined Benefit Liability**	**(7,690,071)**	**(8,310,113)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-22**	**31-Dec-21**
1	Net defined benefit asset/ (liability) at end of prior period	(8,310,113)	(7,796,822)
2	Service cost	(489,148)	(557,394)
3	Net interest on net defined benefit liability/ (asset)	(585,412)	(601,532)
4	Amount recognized in OCI	(290,328)	91,246
5	Benefit paid directly by the Company	1,984,930	555,355
6	Actuarial (gain) or losses due to change in financial assumptions	-	(966)
10	**Net defined benefit liability at end of current period**	**(7,690,071)**	**(8,310,113)**
F	**Other Comprehensive Income (OCI)**	**31-Dec-22**	**31-Dec-21**
1	Actuarial (gain)/loss due to liability experience	290,328	(91,246)
2	Actuarial (gain)/loss due to liability assumption changes	-	966
3	Actuarial (gain)/loss arising during period	290,328	(90,280)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	290,328	(90,280)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**290,328**	**(90,280)**

G	Expected benefit payments for the year ending	31-Dec-22
	December,2023	1,463,682
	December,2024	1,308,734
	December,2025	1,437,546
	December,2026	1,181,769
	December,2027	1,277,859
	December,2028 to December 2032	5,719,819
	December,2033 to December 2042	14,666,006

i. Expected employer contributions for the period ending 31 December 2022

ii. Weighted average duration of defined benefit obligation 9.46 years

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iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-22	31-Dec-21
	Discount Rate as at 31 December 2021	**0.50%**	**0.50%**
	Effect on DBO due to 0.5% increase in Discount Rate	(247,449)	(272,436)
	Effect on DBO due to 0.5% decrease in Discount Rate	263,501	290,436
b	**Salary Escalation rate**	**31-Dec-22**	**31-Dec-21**
	Salary Escalation rate as at 31 December 2021	**0.05%**	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	283,066	311,339
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(268,235)	(294,339)

c	Employee Turnover Rate	31-Dec-22	31-Dec-21
	Mortality rate as at 31 December 2021	**0.50%**	**0.50%**
	Effect on DBO due to 0.5% increase in Mortality	-	311,339
	Effect on DBO due to 0.5% decrease in Mortality	-	(294,339)
d	**Salary Escalation rate**	**31-Dec-22**	**31-Dec-21**
	Salary Escalation rate as at 31 December 2021	**0.05%**	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	(11,488)	(11,939)
	Effect on DBO due to 0.5% decrease in Salary escalation rate	12,685	13,232

iv. Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the plan is exposed to a variety of risk as discussed herein.

1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

2. Salary Growth Risk

As the Separation Allowance benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will

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result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Separation Allowance benefit such as increase in separation allowance ceiling, introduction of Separation Allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the separation allowance payments in the short-run due to liquidity constraints.

Note: 45 Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Travel Allowance)

A	Change in Defined Benefit Obligation (DBO)	31-Dec-22	31-Dec-21
1	DBO at end of prior period	8,310,113	7,796,822
2	Current service cost	489,148	557,394
3	Interest cost on the DBO	585,412	601,532
4	Actuarial (gain)/loss - experience	290,328	(91,246)
5	Actuarial (gain)/loss - demographic assumptions		
6	Actuarial (gain)/loss - financial assumptions	-	966
7	Benefits paid directly by the Company	(1,984,930)	(555,355)
8	Benefits paid from plan assets		
	DBO at end of current period	**7,690,071**	**8,310,113**
B	**Statement of Profit & Loss**	**31-Dec-22**	**31-Dec-21**
1	Current service cost	489,147	557,394
2	Service cost	489,148	557,394

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3	Net interest on net defined benefit liability / (asset)	585,412	601,532
4	Immediate recognition of (gains)/losses – other long term employee benefit plans		
	Cost recognized in P&L	**1,074,560**	**1,158,926**
C	**Defined Benefit Cost**	**31-Dec-22**	**31-Dec-21**
1	Service cost	557,394	557,394
2	Net interest on net defined benefit liability / (asset)	585,412	601,532
3	Actuarial (gains)/ losses recognized in OCI	290,328	(90,280)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**1,433,134**	**1,068,646**
D	**Development of Net Financial Position**	**31-Dec-22**	**31-Dec-21**
1	Defined Benefit Obligation (DBO)**	(7,690,071)	(8,310,113)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,690,071)	(8,310,113)
4	**Net Defined Benefit Liability**	**(7,690,071)**	**(8,310,113)**
E	**Reconciliation of Net Balance Sheet Position**	**31-Dec-22**	**31-Dec-21**
1	Net defined benefit asset/ (liability) at end of prior period	(8,310,113)	(7,796,822)
2	Service cost	(489,148)	(557,394)
3	Net interest on net defined benefit liability/ (asset)	(585,412)	(601,532)
4	Amount recognized in OCI	(290,328)	91,246
5	Benefit paid directly by the Company	1,984,930	555,355
6	Actuarial (gain) or losses due to change in financial assumptions	-	(966)
10	**Net defined benefit liability at end of current period**	**(7,690,071)**	**(8,310,113)**
F	**Other Comprehensive Income (OCI)**	**31-Dec-22**	**31-Dec-21**
1	Actuarial (gain)/loss due to liability experience	290,328	(91,246)
2	Actuarial (gain)/loss due to liability assumption changes	-	966
3	Actuarial (gain)/loss arising during period	290,328	(90,280)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	290,328	(90,280)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**290,328**	**(90,280)**

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G	Expected benefit payments for the year ending	31-Dec-22
1	Less than a year	1,463,682
2	Between 1-2 years	1,308,735
3	Between 2-5 years	3,897,175
4	Over 5 years	20,385,826

G	Expected benefit payments for the year ending	31-Dec-22
1	December,2023	1,463,682
2	December,2024	1,308,734
3	December,2025	1,437,546
4	December,2026	1,181,769
5	December,2027	1,277,859
6	December,2028 to December 2032	5,719,819
7	December,2033 to December 2042	14,666,006

i. Expected employer contributions for the period ending 31 December 2022

ii. Weighted average duration of defined benefit obligation 9.46 years

iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-22	31-Dec-21
	Discount Rate as at 31 December 2022	**0.50%**	**0.50%**
	Effect on DBO due to 0.5% increase in Discount Rate	(247,449)	(272,436)
	Effect on DBO due to 0.5% decrease in Discount Rate	263,501	290,436
b	**Salary Escalation rate**	**31-Dec-22**	**31-Dec-21**
	Salary Escalation rate as at 31 December 2022	**0.05%**	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	283,066	311,339
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(268,235)	(294,339)

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c	Employee Turnover Rate	31-Dec-22	31-Dec-21
	Mortality rate as at 31 December 2022	**0.50%**	**0.50%**
	Effect on DBO due to 0.5% increase in Mortality	-	311,339
	Effect on DBO due to 0.5% decrease in Mortality	-	(294,339)
d	**Salary Escalation rate**	**31-Dec-22**	**31-Dec-21**
	Salary Escalation rate as at 31 December 2022	**0.05%**	**0.05%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	(11,488)	(11,939)
	Effect on DBO due to 0.5% decrease in Salary escalation rate	12,685	13,232

(iv) Risk exposures

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

1. Discount Rate Risk

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

2. Salary Growth Risk

As the Travel allowance benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

3. Employee Turnover Risk

Employee turnover experience of BTL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

4. Demographic Risk

In the absence of credible scheme-specific data, the IALM 2012-14 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

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5. Regulatory Risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning Travel allowance benefit such as increase in Travel allowance ceiling, introduction of Travel allowance floor and change in vesting period or benefit accrual rate would eventually alter the liability.

6. Liquidity Risk

Finally, there is a risk that BTL may not be able to honour the Travel allowance payments in the short-run due to liquidity constraints.

Note 46: Related Party Disclosure

1. Related Party Disclosure

As identified by the management and in accordance with the Bhutanese Accounting Standard -24 following are the list of related parties;

List of related parties where control exists and related parties with whom transactions have taken place during the period and relationships:

i. Parent and Subsidiary:

Nature of relationship	Name of entity	Acronym used
Holding Company	Druk Holding & Investment Ltd.	DHI

ii. Key Management Personnel

Position	Name	Remarks
Chairperson	Dasho Nim Dorji	Present
Chairperson	Mr. Pema L Dorji**	Resigned
Director	Dasho Tashi Wangmo	Present
Director	Mr. Chencho T. Namgay	Present
Director	Mr. Gonpo Tenzin**	Resigned
Director	Mr. Jigme Tenzing**	Resigned
Director	Dr. Lam Dorji	Present
Director	Ms. Jamyang Choeden**	Resigned
Director	Mr. Tshewang C. Dorji	Present
Director	Mr. Kado Zangpo	Present
Chief Executive Officer	Mr. Karma Jurme	Present

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iii. Entities under Common Control		
Nature of relationship	**Name of entity**	**Acronym used**
Subsidiary of Holding Company	Bhutan Power Corporation Ltd	BPC
Subsidiary of Holding Company	Drukair Corporation Ltd	DACL
Subsidiary of Holding Company	Druk Green Power Corporation	DGPC
Subsidiary of Holding Company	Dungsam Cement Corporation Ltd	DCCL
Subsidiary of Holding Company	Natural Resource Development Corporation Ltd	NRDCL
Subsidiary of Holding Company	Construction Development Corporation Ltd	CDCL
Subsidiary of Holding Company	State Mining Corporation Ltd	SMCL
Subsidiary of Holding Company	Koufuku International Private Ltd	KIPL
Subsidiary of Holding Company	MenjongSorig, Pharmaceuticals Corporation Ltd	MSPCL
Controlled Company of Holding Company	Bank of Bhutan Ltd	BOBL
Controlled Company of Holding Company	Dungsam Polymers Ltd	DPL
Controlled Company of Holding Company	State Trading Corporation of Bhutan Ltd	STCBL
Linked Company of Holding Company	Bhutan Board Product Ltd	BBPL
Linked Company of Holding Company	Penden Cement Authority Ltd	PCAL

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a) Transactions with related parties during the year:		
Government Agencies		
Nature of relationship	**Name of entity**	**Acronym used**
Government Agencies	Ministry of Education & Skills Development	MoESD
Government Agencies	Ministry of Agriculture & Live Stock	MoAL
Government Agencies	Ministry of Energy & Natural Resources	MoENR
Government Agencies	Ministry of Foreign Affairs & External Trade	MoFAET
Government Agencies	Ministry of Finance	MoF
Government Agencies	Ministry of Home Affairs	MoHA
Government Agencies	Ministry of Health	MoH
Government Agencies	Ministry of Industry, Commerce & Employment	MoICE
Government Agencies	Ministry of Infrastructure & Transport	MoIT

i. Board sitting fee paid to Board Directors

		Sitting Fee	
Name of Board of Directors	**Particulars**	**2022**	**2021**
Dasho Nim Dorji	Chairperson	80,000	-
Mr. Pema L Dorji**	Director	32,000	84,000
Dasho Tashi Wangmo	Director	76,000	-
Mr. Chencho T. Namgay	Director	160,000	132,000
Mr. Gonpo Tenzin**	Director	28,000	100,000
Mr. JigmeTenzing**	Director	16,000	112,000
Dr. Lam Dorji	Director	84,000	80,000
Ms. Jamyang Choeden**	Director	12,000	28,000
Mr. Tshewang C. Dorji	Director	76,000	-
Mr. Kado Zangpo	Director	68,000	-
		632,000	**536,000**

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ii. Chief Executive Officer's remuneration:

Name	Particulars	2022	2021
Mr. Karma Jurme (Present)	Salary	2,842,800	2,770,800
	Leave travel concession	15,000	15,000
	Leave Encashment	118,450	115,450
	Salary Arrears	-	-
	Bonus and PBVA	346,350	332,450
	Contribution to superannuation fund	213,216	207,816
	Sitting fee	160,000	140,000
	Total	**3,695,816**	**3,581,516**

iii. Intergroup transaction with the DOC companies:

GCOA	GCOA Ledger	Entity	Inter CO ID	2022. DEC	Amount
1109010102	Intragroup trade receivables	BTL	MSPCL	2022.DEC	68,264.40
3109010043	Intra Group Miscellanous Expenses	BTL	MSPCL	2022.DEC	60,000.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	MSPCL	2022.DEC	(47,048.32)
3109010627	Electricity Charges - paid to DHI Group companies	BTL	I_BPC	2022.DEC	54,325,820.79
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BPC	2022.DEC	(7,212,478.59)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_BPC	2022.DEC	4,306,564.98
1213040001	Cables and Power System	BTL	I_BPC	2022.DEC	18,236,950.32
1109010102	Intragroup trade receivables	BTL	I_BPC	2022.DEC	36,904.80
1109010102	Intragroup trade receivables	BTL	I_BPC	2022.DEC	3,073,035.00
4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2022.DEC	(91,200.00)
4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2022.DEC	(11,523,878.25)
4107010524	Inter Group Miscellanous Income	BTL	I_BPC	2022.DEC	(340,179.75)
4107010521	Rental Income from Group Companies	BTL	I_BPC	2022.DEC	(88,140.00)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_SMCL	2022.DEC	(1,669,084.60)
1109010102	Intragroup trade receivables	BTL	I_SMCL	2022.DEC	38,534.34
1213050001	Vehicles	BTL	I_STCBL	2022.DEC	1,727,600.00
3107010012	Running & Maintenance Of Vehicle-Intergroup	BTL	I_STCBL	2022.DEC	465,908.17
3109010043	Intra Group Miscellanous Expenses	BTL	I_STCBL	2022.DEC	236,098.00

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4107010504	Interest income from loans to DHI Group companies	BTL	I_STCBL	2022.DEC	(7,230,821.92)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DACL	2022.DEC	(4,987,936.41)
1109010102	Intragroup trade receivables	BTL	I_DACL	2022.DEC	253,292.55
3109010614	Flight tickets and other services purchased from DACL	BTL	I_DACL	2022.DEC	92,384.00
4107010521	Rental Income from Group Companies	BTL	I_DACL	2022.DEC	(6,141.85)
4107010524	Inter Group Miscellanous Income	BTL	I_DACL	2022.DEC	(14,435.00)
2103010302	Intragroup trade payable	BTL	I_DACL	2022.DEC	(464,792.00)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_DACL	2022.DEC	13,365.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DH01	2022.DEC	(15,364.82)
1109010102	Intragroup trade receivables	BTL	I_DH01	2022.DEC	252.50
1101020103	Balances with BOBL	BTL	I_BOBL	2022.DEC	1,802,712,910.57
1109020104	Intragroup deposits	BTL	I_BOBL	2022.DEC	5,000,000.00
3110010602	Interest on loans from BoBL	BTL	I_BOBL	2022.DEC	282,986.78
4107010521	Rental Income from Group Companies	BTL	I_BOBL	2022.DEC	(2,102,000.00)
4107010522	Intra Group Commission and Brokage Income	BTL	I_BOBL	2022.DEC	17,995,623.28
4110020503	Interest income on deposits with BoBL	BTL	I_BOBL	2022.DEC	(164,739.73)
1109010102	Intragroup trade receivables	BTL	I_BOBL	2022.DEC	85,000.00
3109010044	Intra Group Commission and Brokage fees	BTL	I_BOBL	2022.DEC	144,361,255.48
4107010514	Communication, internet and telephone charges paid to BTL	BTL	I_BOBL	2022.DEC	(13,533,834.62)
4108010017	Other Miscellaneous Income	BTL	I_BOBL	2022.DEC	(108,575.00)
1214020001	Software	BTL	I_BOBL	2022.DEC	650,000.00
3109010035	Miscellaneous Expenses	BTL	I_DC01	2022.DEC	500,500.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_NRDCL	2022.DEC	(1,270,646.39)
4107010524	Inter Group Miscellanous Income	BTL	I_NRDCL	2022.DEC	(175,373.00)
1109010102	Intragroup trade receivables	BTL	I_NRDCL	2022.DEC	73,259.55
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_CDCL	2022.DEC	(1,083,833.06)

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1109010102	Intragroup trade receivables	BTL	I_CDCL	2022.DEC	1,543,234.27
1213010006	Building & Civil Structures	BTL	I_CDCL	2022.DEC	49,278,193.22
2103010302	Intragroup trade payable	BTL	I_CDCL	2022.DEC	(4,746,043.20)
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_CDCL	2022.DEC	6,000.00
1109010102	Intragroup trade receivables	BTL	I_TTPL	2022.DEC	10,800.00
3109010616	Rental Expenses paid to DHI Group Companies	BTL	I_TTPL	2022.DEC	64,800.00
3109010035	Miscellaneous Expenses	BTL	I_TTPL	2022.DEC	1,431,826.02
3109010035	Miscellaneous Expenses	BTL	I_TTPL	2022.DEC	3,435,879.64
4107010504	Interest income from loans to DHI Group companies	BTL	I_TTPL	2022.DEC	(928,219.18)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DC01	2022.DEC	(1,690,286.59)
4107010504	Interest income from loans to DHI Group companies	BTL	I_DC01	2022.DEC	(897,260.27)
2503010008	Intragroup Dividends relating to current year	BTL	I_DI01	2022.DEC	2,022,000,000.00
3109010617	Inter group Brand management Fees	BTL	I_DI01	2022.DEC	38,349,668.13
2501010001	Equity Shares held by DHI	BTL	I_DI01	2022.DEC	(3,900,574,000.00)
3109010041	Intragroup Lease Rent	BTL	I_DI01	2022.DEC	437,352.83
3109010035	Miscellaneous Expenses	BTL	I_DC01	2022.DEC	27,278,073.52
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DG01	2022.DEC	(2,456,282.17)
1109010102	Intragroup trade receivables	BTL	I_DG01	2022.DEC	2,143,740.43
4107010524	Inter Group Miscellanous Income	BTL	I_DG01	2022.DEC	(7,255,618.26)
3109010041	Intragroup Lease Rent	BTL	I_DG01	2022.DEC	16,728.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_DP01	2022.DEC	(744,519.35)
1109010102	Intragroup trade receivables	BTL	I_DP01	2022.DEC	149,610.66
1213030001	Furniture, fixtures, computers and office equipment	BTL	I_BBPL	2022.DEC	62,721.00
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_BSHL	2022.DEC	(423,405.70)
4107010524	Inter Group Miscellanous Income	BTL	I_BSHL	2022.DEC	(428,007.16)
4107010514	Communication and ICT revenue from DHI Group companies	BTL	I_THEL	2022.DEC	(1,033,115.91)
1109010102	Intragroup trade receivables	BTL	I_THEL	2022.DEC	57,674.81

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iv. **Outstanding Balances with Holding Company**	
Particulars	**Amount**
Paid-up share capital	3,900,574,000
Intergroup trade receivable	3,773,214.10

v. **Outstanding balances with Entities under Common Control**	
Particulars	**Amount**
Trade Receivables	85,000
Trade Payable	5,210,835

a) Capital Commitments

Particulars	**2022**	**2021**
5G project	4,228,334	99,999,451
Additional Mobile Sites		94,090,985
Construction of Residential Building at Jakar		44,439,000
ERPNext Project		7,887,096
Highway Mobile projects		20,702,331
Integration of DSL and Off-load to PCRF		6,940,000
LTE Expansion project		133,267,806
Power System project		11,681,682
Rural Communication Project VI		125,833,397
Tower Replacement/Relocation Project		6,169,397
VoLTE IMS Project		213,690,125
LTE1800 Expansion		16,401,194
Amount of contracts remaining to be executed on residential building at Paro		54,083,480
Amount of contracts remaining to be executed on residential building at Gelephu		47,824,152
Contact Center Redundancy & Enhancement	601,000	
Construction of Equipment building at Jakar	2,078,472	-

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BHUTAN TELECOM LIMITED

Ratio Analysis for the year ended 31st December 2022

Particulars	2022	2021
1. LIQUIDITY		
A. Current Ratio	2.34:1	2.19:1
B. Quick Ratio:	2.18:1	2.06:1
Quick Assets/Quick Liabilities		
C. Accounts Receivable Period	38.01 Days	41.35 Days
365/Accounts receivable turnover		
D. Working Capital to Sales	21.84%	26.42%
Average Current Liabilities/Net sales		
2. SOLVENCY:		
A. Term Debt to Total Fixed Assets	0.00%	9.64%
Long term Debt/Total Fixed Asset-Net		
B. Debt Equity Ratio:	0.00	0.07:1
Debt/(Capital Fund+Reserve& Surplus)		
3. PROFITABILITY:		
A. Return on Capital Employed:		
a) PBT/Capital Employed	54.30%	46.76%
b) PAT/Capital Employed	37.78%	31.748%
Capital Employed=Equity Capital + Loan Fund		
B. Return on Equity:	37.77%	34.19%
Profit After Tax/Total Equity		
Total Equity= Capital + Reserve & Surplus		
C. Return on Sales	57.40%	55.14%
PBT/Operating Income		
D. Employee Cost to Gross Income	6.89%	7.14%
Total Employee Expenses/Operating Income		
E. Profit per Employee:	3.68 million	3.07 million
PAT/Total no. of Employees		

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For Karma & Associate

(Chimmi Dorji)

Partner

Place: Thimphu

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Date: 15/02/2023

For and on behalf of board of directors

Chairman

Chief Executive Officer